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Policemen running toward the sound of shots as the queen steered her 19-year-old horse, which shied at the noise.

Youth Fires Blanks At Queen Elizabeth

From Agency Dispatches

LONDON — Buckingham Palace said Sunday that security arrangements for the royal family are being reviewed following Saturday's incident in which a youth fired six blank cartridges at Queen Elizabeth II during a parade.

The queen "did not suffer in any way from yesterday's incident," a spokesman at the palace said. The queen left London after the traditional Trooping of the Colors ceremony to mark her birthday and was spending a relaxed weekend with her family, the spokesman said.

As millions watched on television Saturday, a youth stepped from the crowd and fired at the queen as she rode on horseback from Buckingham Palace past huge crowds along the tree-lined Mall. The youth was wrestled to the ground by policemen and onlookers.

The queen's 19-year-old horse, Burmese, shied at the noise and a witness said the queen looked white and shaken. She is an expert rider and quickly brought the horse under control.

Just behind the queen, who was at the head of the process-

sion, were Prince Philip, her husband, and Prince Charles, her son and heir to the throne. Afterward, the ceremony proceeded unevenly.

Marcus Simon Sarjeant, 17, from the southern coastal town of Folkestone, was charged under the Treason Act of 1842 with "willfully discharging at the person of Her Majesty the Queen a blank cartridge pistol with intent to alarm her." The unemployed youth was scheduled to appear in court Monday and faces a maximum sentence of seven years.

Security Review

With the wedding of Prince Charles and Lady Diana Spencer on July 29, protection of the royal family has become a priority concern for palace officials and police.



Police arrested a youth, later identified as Marcus Simon Sarjeant, after shots were fired at the queen on the Mall.

Security arrangements for the royal family are constantly under review in regard to public appearances," the spokesman said. Saturday's incident "will be carefully studied in reference to future public appearances," he said.

Last month, a bomb, appar-

ently planted by Irish Republican Army members, exploded while the queen was visiting an oil terminal in Scotland.

There were calls for more protection for the queen and for new gun laws in a country that already has strict gun control. The Police Federation, the po-

French Left Swamps Foes In First Round of Election

By Jonathan Kandell

International Herald Tribune

PARIS — The French left routed conservative forces in Sunday's first electoral round, and seemed almost certain to gain an overwhelming majority of legislative seats in the runoff elections on June 21.

According to computer projections on state television at 10:30 p.m. Paris time, the Socialists, Communists and other leftist candidates held a 55 percent to 44 percent lead over conservatives, with the ecologists getting about one percent.

The computer projections also suggested that the Socialists may emerge from next week's runoff elections with a majority of their own in the National Assembly, without even having to seek Communist support to push through their programs. According to state television estimates, Socialist candidates had scored about 38.5 percent, and could eventually win 300 or more of the 491 legislative seats.

The legislative race was thus shaping up as a stunning victory for the Socialist president, François Mitterrand, who was voted into office last month and then immediately called for National Assembly elections in the hopes of achieving a parliamentary majority to push through his leftist economic and political reforms.

Electoral Pact

Under the French election system, if no candidate gathers a majority of the votes in the first electoral round, the two leading vote-getters usually face each other in a runoff.

Mauroy Vows to Support French Aerospace Growth

By Axel Krause

International Herald Tribune

LE BOURGET, France — The new Socialist government will actively support the development of the nation's aerospace industry to assure an independent defense force and continued expansion of French export markets, notably in the military field, Prime Minister Pierre Mauroy says.

In firm and expansive terms, Mr. Mauroy told 4,000 luncheon guests at the Paris Air Show at Le Bourget airport Saturday that development of France's aerospace industry constituted "one of the greatest priorities" for his government. He said development included projects in the fields of space, satellites, tactical missiles and the European Airbus program.

Last year the industry generated record sales of \$7.3 billion, more than half from exports.

The speech was the most detailed policy statement on the aerospace industry made by any French official since last month's election of President François Mitterrand.

Rumors Called False

Mr. Mauroy also raised the prospects of French cooperation with West European and U.S. partners in future aerospace projects. But authoritative French government sources said that the speech's main international significance was the strong reaffirmation of France's military export policy.

Denying "lies and false rumors" regarding French exports of military equipment, Mr. Mauroy said that the country's commitments on international sales "will be respected." He added that "France and French industrialists are and will always be secure and reliable partners."

Industry and diplomatic sources

noted that the prime minister deliberately avoided any hint of cutting back French arms exports, or shifting policy with regard to future clients in areas previously considered politically sensitive by French Socialists, particularly in Latin America.

"During the campaign they [the Socialists] talked a lot about cutting back arms sales to certain countries like Chile but also South Africa and many other people we supply with arms, including the Arabs, have been worried," a senior French industry official said.

"From the way I read the speech, everyone has been reassured that our policy will not change."

Mr. Mauroy also avoided any

(Continued on Page 17, Col. 7)

Indirect Accusation

He said the union would not give up the right to monitor the authorities but that the strike weapon should only be used in extreme circumstances.

The accusations regarding anti-Soviet sentiment were made in the hard-line Communist weekly *Rzeczywistosc* (Reality), which gave more details of the campaign against Moscow. It indirectly accused regional Solidarity branches of complicity.

Rzeczywistosc, which was favorably cited in Soviet media, said there had been about 30 attacks on Soviet soldiers or their families in Poland in recent weeks.

"Someone has planned this campaign and someone is conducting it with the silence of the official mass media and without any kind of active opposition by the authorities," the weekly said.

Solidarity has consistently con-

fronted the Polish authorities with

the latest incident took place Saturday in Lublin, where paint was daubed on a monument of gratitude to the Soviet soldiers who liberated the city on their way to Berlin at the end of World War II.

Mr. Walesa, who was in Lublin, condemned the action. "I suppose that in connection with my stay, a provocation occurred here in Lublin," the labor leader said.

He said Poles should be aware of their geopolitical position. He gave assurances again that Solidarity had no intention of turning into a political party and challenging Communist supremacy.

Mr. Walesa's call for social peace followed Moscow's public warning to Poland about the reform movement and new pledges by the Warsaw authorities to get a firmer grip on events.

Mr. Walesa told a meeting at the Catholic University in Lublin Friday that much time had been lost through saber rattling and that this tacit must end, the Polish news agency PAP reported.

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Begin Steps Up Criticism of U.S. And Assails Opponents at Home

By William Chaiborne
Washington Post Service

JERUSALEM — Israeli Prime Minister Menachem Begin on Sunday stepped up his counterattack against U.S. condemnation of the Israeli bombing of Iraq's nuclear reactor by sending a sharp rebuke to Defense Secretary Casper W. Weinberger. Mr. Begin also warned his domestic political opponents that criticism of the raid "encourages all those who are plotting against us."

The prime minister did not release the text of the letter to Mr. Weinberger, but it was understood to say that Mr. Begin is hoping for greater understanding by the Reagan administration for Israel's security needs. Mr. Begin had accused the U.S. defense secretary on Thursday of demanding that the United States withhold from

Israel "all economic and military aid."

Mr. Weinberger denied making any such recommendation.

Also, in a message prepared for a parade in New York by Israel's supporters on Sunday, Mr. Begin reiterated his contention that the bombing of the reactor was a legitimate act of self defense, and that it had to be done now because the reactor soon was to become "hot" and could not be destroyed later without inflicting heavy civilian casualties in Baghdad.

Aides to the prime minister stressed that Mr. Begin is not attempting to appeal to U.S. public opinion over the head of President Reagan, but that the Israeli leader had been asked to send a message to the New York gathering and that it was only natural to deal with a topical issue such as the controversy over the bombing raid.

UN Council Set to Resume Debate on Israel Bombing

By Bernard D. Nossiter
New York Times Service

UNITED NATIONS, N.Y. — Third World and Soviet-bloc nations will probably continue their pattern of sharp words against Israel when the United Nations Security Council resumes debate Monday on the bombardment of Iraq's nuclear reactor.

The speeches, which started Saturday, are likely to continue through Tuesday, followed by a vote on a resolution. A declaration condemning Israel might win Security Council approval, but anything stronger would probably face an American veto.

Most speakers thus far have insisted that condemnation is not enough, asserting that the council must also embargo any trade that strengthens Israeli aggression. Outside the debate, however, several Arab representatives from Jordan to Syria, indicated that they are considering separate votes to divide the issue and win a consensus on at least a rebuke to the Israelis.

A vote on the single question of condemnation could win. The United States might even vote in its favor, particularly since the Reagan administration has already condemned Israel's air assault of last Sunday.

Severe Rebuke

Further votes on the other Iraqi demands — that arms trade with Israel be banned and that Israeli nuclear installations be subjected to international inspection — would almost certainly be defeated by a U.S. veto. Britain and France are thought likely to cast votes as well.

If the Arabs follow the course of separate votes, the result could be a severe international rebuke of Israel for the raid. But apart from political and psychological damage, Israel would be spared any concrete punishment.

Moreover, if the Reagan administration could partially satisfy Arab grievances, the United States might be left in a position to release the four F-16 fighter-bombers whose delivery to Israel was suspended on Wednesday pending investigation over whether U.S. law was violated by using American-built planes in the assault.

The key speech Saturday was delivered by Sheikh Sabah al-Ahmed, foreign minister of Kuwait, a moderate oil state. He pointedly warned the United States against casting a veto, saying it would shock the Arab peoples and give the aggressor the

green light to proceed with its acts of terrorism and piracy.

"We ask ourselves for how long will the United States continue to arm Israel with advanced weapons, expertise and technology?" he said.

No Mention of Embargo

The Kuwaiti minister made no mention of any possible oil embargo in retaliation, even though softening oil prices would benefit from a production cut.

India and Pakistan joined the Arabs in demanding sanctions. Only Brazil appeared content with a rebuke.

Bulgaria carefully associated the Israeli raid with the United States. Boris Tsvetkov, the chief delegate, said that Israel would not have dared to carry out its attack without support of its chief arms supplier.

Mr. Tsvetkov renewed a Soviet request for an international conference to resolve the problems of the Middle East, a diplomatic device that would bring Moscow back into a central role in the region's affairs.

On Friday, Iraq's foreign minister, Sadoun Hammadi, accused Israel of a clear-cut act of premeditated aggression and urged the council to request a halt in military trade with Israel. Yehuda Blum, Israel's delegate, said his country had performed an act of self-preservation in the face of a threat of nuclear obliteration by an implacable enemy.

Begin's Party Widens Lead In 2 Surveys

The Associated Press

TEL AVIV — Prime Minister Menachem Begin has gained a comfortable lead over the Labor Party in two opinion polls.

The Modin Ezrahi Applied Research Center projected 46 seats for Mr. Begin's Likud Party and 40 for Labor in the 120-seat parliament following the June 30 elections. The gap was 45 to 42 in late May, the poll found.

A separate poll by Public Opinion Research of Israel gave Likud a 43-to-37 lead over Labor. The soundings were conducted before Israeli planes bombed an Iraqi nuclear reactor Sunday. The popularity of this operation is expected to boost Mr. Begin's ratings in the next round of polling.

Mr. Begin also denounced the opposition Labor Party for allegedly creating "deliberately false propaganda which is being exploited by all those who are plotting against us regarding the glorious operation of the Israel defense forces in demolishing the atomic reactor near Baghdad."

In a communiqué issued by his Cabinet, Mr. Begin said that criticism of the raid's timing before the June 30 election by the Labor Party leader, Shimon Peres, has encouraged enemies of Israel to conclude that the attack was an election ploy.

"No responsible opposition in a democratic nation has ever acted in such a manner," Mr. Begin declared.

Spokesmen for the Labor Party on Sunday repeated their charge that the timing of the bombing raid was politically motivated, and that Mr. Begin's sharp attacks on the United States were intended to draw sympathetic popular support at home.

Meanwhile, the Foreign Ministry acknowledged Sunday that a threat on Oct. 4 against Israel that Mr. Begin has repeatedly attributed to Iraqi President Saddam Hussein to justify the bombing was without foundation. Mr. Begin on several occasions said that Mr. Hussein, in the Oct. 4 issue of the Baghdad daily, Al-Thawra,

"The Iranian people should not fear the Iraqi nuclear reactor, which is not intended to be used against Iran, but against the Zionists."

Foreign Ministry researchers reported that the quote cannot be found in Al-Thawra, and they are attempting to determine where it originated.

Syrian Down Drone

DAMASCUS (UPI) — Syrian jet fighters shot down another pilotless Israeli spy plane over Damascus on Saturday, the government said.

Israel confirmed the loss of another of its reconnaissance drones, the fourth it said it has lost since the Syrian deployment of Soviet-made anti-aircraft missiles in Lebanon on April 29. By Syria's tally, it was the seventh spy plane downed.

Habib Meets Sandis

BEIRUT (AP) — The U.S. presidential envoy, Philip C. Habib, met with Saudi Arabia's foreign minister on Sunday in a revival of American mediation efforts to cool off the Arab-Israeli confrontation.

Mr. Habib flew to Jidda on Saturday after spending five days in Lebanon where his mission was overshadowed by the political controversy from Israel's air raid on Iraq's nuclear power complex. Riyadh radio reported that President Reagan's special envoy conferred with Prince Saud al-Faisal, the foreign minister and nephew of King Khaled, but gave no details of the talk.

Lebanon's Christians

BEIRUT (Reuters) — Lebanon's rightist Christians, accused by Syria of collaborating with Israel, are ready to sign a statement with other Lebanese factions rejecting ties with the Jewish state, a Christian leader said in an interview published on Sunday.

But the Falangist party chief, Pierre Gemayel, rejected demands by the Syrians and certain Lebanese leftist groups that the Falangist-dominated rightist alliance known as the Lebanese Front should issue a separate statement Saturday with Ayatollah Khomeini, gave no indication of when

Raid's Effect

The administration would be in position to argue that since no strong measures were taken in response to Israel's use of U.S.-provided planes in the Iraqi air raid, then Israel should abandon its intensive lobbying in Washington against the Saudi sale.

Some administration officials are said to believe that the Israeli raid may already have moderated sentiment against the sale in Congress.

Though investigation of the Israeli raid is still not completed, and congressional hearings are expected this week, there is already widespread speculation that the whole matter will be allowed to drop.

According to White House plans, the last three weeks of July will be used for informal consulta-

White House to Push Saudi Arms Deal

By Rudy Abramson
Los Angeles Times Service

WASHINGTON — The Reagan administration will launch an effort immediately after the July 4 congressional recess to persuade skeptical lawmakers to accept its plan to sell five sophisticated Airborne Warning and Control System (AWACS) planes to Saudi Arabia.

Initially opposed by Israel, the arms package has been delayed because of the impending Israeli elections on June 30. It has been further delayed because the Senate Republican leader, Howard H. Baker Jr., of Tennessee, had warned the White House that Congress might reject the sale, which also includes F-16 fighter planes.

Sources said that White House officials and Sen. Baker concluded in meetings last week that Israel's air raid on an Iraqi nuclear reactor June 7 and the ensuing controversy had not damaged the prospects of getting the AWACS deal through Congress.

A senior White House official said Saturday that Israel's attack on the outskirts of Baghdad may enable the administration to make a stronger argument for the AWACS sale. This would be so especially if the United States takes no action against Israel beyond the delay announced last week in delivery of four new F-16s to the Israeli Air Force.

Raid's Effect

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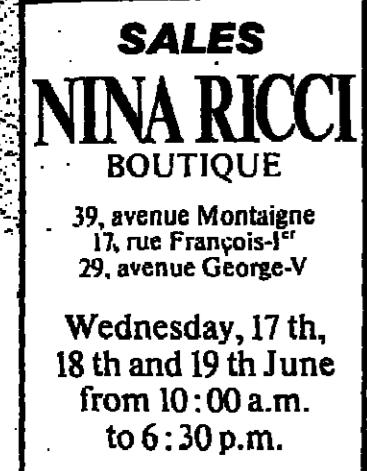
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Democrats, GOP Reverse Roles on Tax Issues

By Art Pine
The Associated Press

WASHINGTON — A few years ago, when the economy was more buoyant and liberals were still riding high, it was easy to tell the Democrats from the Republicans on tax issues.

Most Democrats had a simple creed: tax relief should go mainly to low- and middle-income households at the expense of the well-to-do. Business tax cuts were "giveaways" and Congress, in the name of reform, ought to close those "loopholes" that benefited the rich.

Republicans, on the other hand, wanted tax cuts skewed to help high-income investors, more tax cuts for business, an end to mounting budget deficits and "loopholes" left intact. Only a few Democrats — all conservative Southerners — went along.

Today, however, as the House Ways and Means Committee moves into mark-up on a new tax-cut bill, the Democrats are much more conservative and the tax stances of the two major parties have shifted sufficiently to make old hands do a double-take.

The Democrats are still pushing a plan that would do more for those in the lower brackets than would the Republicans' tax package, but the Democratic alternative also contains so many breaks for savings and investment it is virtually a clone of the GOP proposals of a few years ago.

Invoking Kennedy

The Democrats are now proposing slashing the maximum rate on investment income from 70 percent to 50 percent; cutting estate and gift taxes; increasing savings incentives and write-offs on interest income, and even cutting capital gains taxes.

Reading Legislative Mind A Dilemma for High Court

By Linda Greenhouse
New York Times Service

WASHINGTON — The U.S. Supreme Court engaged last week in a time-honored and mysterious exercise: reading the mind of Congress.

In one of the most important sex discrimination cases of the term, a 5-to-4 majority decided that the 88th Congress, which enacted the Equal Pay Act of 1963 and the

NEWS ANALYSIS

Civil Rights Act of 1964 and drew only a tenuous connection between them, intended the second law to be broader than the first.

That ruling will allow women, to bring discrimination suits on the basis of low pay even if they cannot cite males getting more money for the same job. The decision is important for secretaries, nurses and other women in occupations where equal pay for equal work means little.

The court reached its result by the process of statutory construction, deciding what Congress meant to accomplish. As in most decisions constraining congressional acts, the majority opinion, by Associate Justice William J. Brennan Jr., offered copious footnotes to discussions on the floor of Congress, memorandums in the Congressional Record and interpretations by administrative agencies.

The losers, in a 24-page dissent by Associate Justice William H. Rehnquist, produced footnotes to much of the same material and accused the majority of ignoring traditional canons of statutory construction and relevant legislative history.

Sent by Jail Matrons

The case, in which jail matrons sued a county for paying them less than male deputy sheriffs who did similar work at the same jail, is thus fitting example of how the court approaches its mind-reading task. More than a third of the decisions this term require the justices to begin by figuring out what Congress meant.

Decisions interpreting statutes are frequently unconvincing. Worse, some legal scholars contend, the rulings find the court using construction to put an intellectually respectable gloss on decisions that are basically arbitrary. Indeed, Associate Justice Robert H. Jackson, in a 1953 opinion, called decisions based on legislative history and intent a weird endeavor that seems not an interpretation of a statute but creation of a statute.

The canons of construction to which Mr. Rehnquist referred last week are essentially common-sense guidelines whose frequent citation in Latin lends them an air of principle. In plain terms, for example, means that when a court interprets one law in light of another, it should not regard a generally worded statute as nullifying one that specifically addresses a particular issue.

Several such maxims are contradictory, leaving judges free to choose one that best suits their purpose.

The justices have apparently found counsel in Sir Arthur Conan Doyle's mystery, "The Silver Blaze." Writing for the court last year in a case involving challenges to federal environmental regulations, Associate Justice Potter Stewart said that in ascertaining a statute's meaning, the court cannot, in the manner of Sherlock Holmes, pursue the theory of the dog that did not bark. He meant that the court should not draw conclusions from what Congress fails to say.

Two weeks later, Associate Justice John Paul Stevens drew the opposite lesson. In a concurring opinion on a criminal matter, he

Aerospace Firm Cheated NASA, U.S. Panel Told

United Press International

WASHINGTON — A U.S. grand jury in Los Angeles is investigating whether Rockwell International Inc., prime contractor for the space shuttle, billed the space agency for work it did for the Air Force, a NASA official says.

J. Brian Hyland, deputy inspector general for the National Aeronautics and Space Administration, said Friday that the FBI has given NASA's information to the panel.

The allegation given the grand jury, he said, is that Rockwell failed to NASA "cost-plus" contracts performed on fixed-price Air Force contracts. This allegedly was done to have the government pay for excess costs of the Air Force work that Rockwell otherwise would have to absorb.

Mr. Hyland said he began seeking grand jury action in 1979 when he estimated the total cost of the "misbillings" could amount to \$5 million. He said the Defense Contract Audit Agency, now working with the FBI on the matter, was making an audit that would go to the grand jury.

Olympic Air Strike Ends

The Associated Press

ATHENS — Technicians have ended a 35-day old strike at Olympic Airways. The 1,700 strikers agreed Friday midnight to begin negotiations with the Transport Ministry and Greece's national carrier over their demands for clarifications about the airline's future and reinstatement of employees fired during the strike.

At the same time, Republicans are pressuring for large tax cuts that would send the budget deficit soaring — a strategy they are fond of comparing to the tax reductions pushed through by former President John F. Kennedy in 1962.

Meanwhile, almost nobody is talking about loophole-closing or tax reform.

Said Rep. James C. Wright Jr., the Texas Democrat and majority leader, in a television interview recently, "One man's loophole is another man's legitimate benefit." Not long ago, that was the sort of thing only Republicans used to say.

Although Democrats and Republicans are still scrapping the terms of debate and standards the Republicans effectively will have won the battle even if they "lose" the current debate.

So much of the Democrats' proposals it had planned to incorporate them in a second tax-cut bill later on. Now it has included them in the president's new "bipartisan compromise" bill.

System Has Moved

"It used to be that these kinds of things were only being advocated by rednecks and Republicans," said Rep. Kenneth L. Hollings, a South Carolina Democrat and longtime Ways and Means Committee member.

To Rep. Barber B. Conable, the New York Republican who is the committee's ranking Rep.

"It's obvious that what we were doing before just wasn't working. The whole American political system has moved."

What made the Democrats swing so far to the right?

Inflation is the major cause of the change,

according to Rep. Sam M. Gibbons, Democrat of Florida, who is on the Joint Committee on Taxation, was one of the early "tax reformers" on the Ways and Means Committee and now has turned more conservative himself. Specifically, Rep. Gibbons has referred to the impact of the price spiral in making the middle class feel more pinched — and less charitable — on questions of tax.

In the early 1960s, when inflation still was mild, people were in a charitable mood. Tilting tax breaks to the poor was easy enough for Congress to do.

Democrats Depart

With soaring inflation, however, people have been earning more than they ever dreamed, but enjoying it less — making them far less inclined to sacrifice their tax relief to the poor.

Experts also cite these influences:

• The recent round of business slumps, particularly in autos and steel, which has scared blue-collar workers and made them more willing to support business tax incentives that ultimately could mean more jobs.

• The defeat — or retirement — of many older-line Democrats who provided the majority for previous tax cuts.

• The emergence of an effective business lobby that has been able to unite on key tax issues, enabling it to push faster depreciation write-offs and other corporate cuts successfully. Democrats and Republicans are now falling all over each other to sponsor pro-business tax cuts. Even liberals on the Ways and Means Committee have a business tax-cut plan.

• The zeal of "tax reformers" — both in the last major "reform" bill, in 1976, and in

former President Jimmy Carter's ill-fated 1978 tax-revision proposal — which finally closed and helped take the momentum out of loophole-closing.

The high-point of the "tax reform" movement came in 1976, when Congress passed a bill that seemed an embodiment of liberals' dreams. The measure contained more than 200 separate "loophole-closings," shut down dozens of longstanding tax shelters, put new restrictions on use of the foreign tax credit and cut back tax breaks for Americans working abroad.

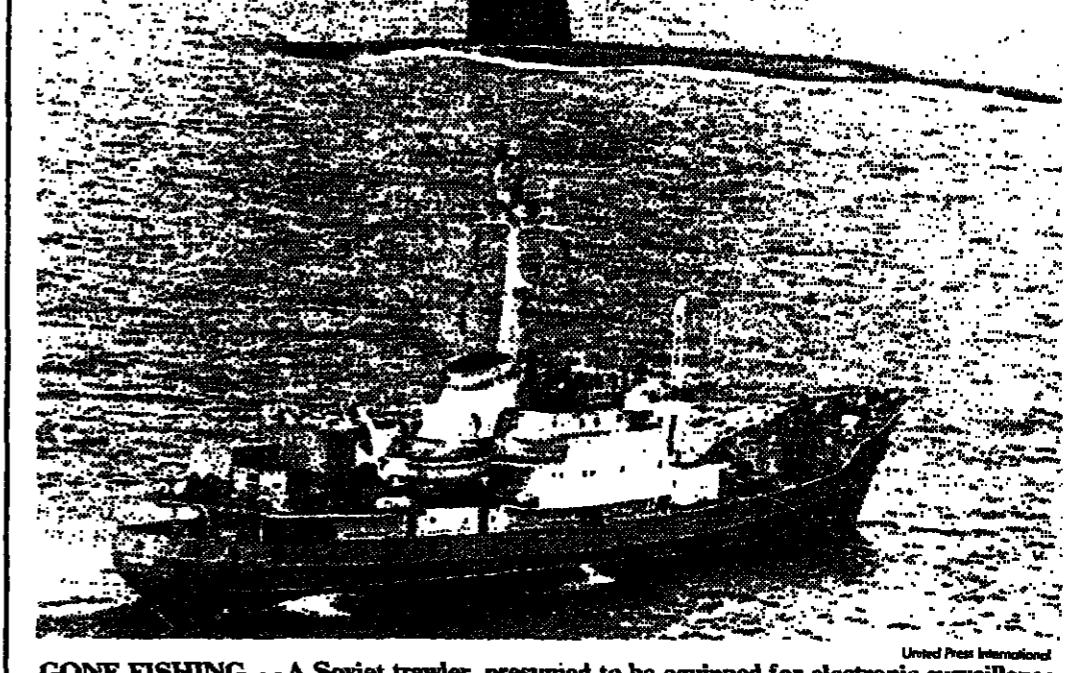
It also raised taxes of those who sell inherited property for profit, toughened the tax treatment of capital gains and trimmed back some of the tax breaks then given large farms.

No Free Martini Lunch

But many of the provisions only led to heightened opposition. The tax increase on Americans working abroad, for example, left U.S. construction firms claiming they could not compete with foreigners because of increased costs.

The cause of "tax reform" may also have been set back by the complex overhaul plan Mr. Carter sent to Congress in 1978 — a plan so unrealistic in some respects that many feel that it made tax revision look silly. A prime example was Mr. Carter's loudly proclaimed demand that Congress cut back the longstanding deduction for business entertainment — the "three martini lunch" — a standard write-off in business for years.

Although the president asserted repeatedly that the deduction was a sop for corporate executives, the biggest opposition to ending it came from restaurant workers who feared it would cost them jobs.



GONE FISHING — A Soviet trawler, presumed to be equipped for electronic surveillance, encounters a U.S. Polaris missile submarine off Montauk Point, New York. The Soviet ship is thought to be awaiting the initial tests of the Ohio, the first U.S. Trident submarine.

Panel Urges Renewed Anti-Missile Pact

New York Times Service

MOSCOW — An international panel of senior statesmen devoted to promoting disarmament concluded a two-day meeting here Sunday by urging both the United States and the Soviet Union to preserve the treaty on the limitation of anti-ballistic missile systems, which is scheduled for review next year.

Olaf Palme, the former Swedish premier who is chairman and founder of the Independent Commission on Disarmament and Security Issues, told a news conference that attempts to protect intercontinental ballistic missiles with new generations of anti-missile

systems would be marginally effective and would set off a costly and destabilizing spiral in the arms race.

At a meeting with Mr. Palme on Friday, Soviet Chairman Leonid I. Brezhnev accused the United States of showing no real interest in negotiations and said the Americans are seeking to tilt the balance of power in Europe.

Mr. Brezhnev's statements were echoed Sunday by the Soviet member of the commission, George A. Arbatov, director of the Soviet Institute of the U.S. and Canada. "We have no reasons to believe the Americans are serious about starting talks," he said.

Both Cyrus R. Vance, U.S. secretary of state under former President Jimmy Carter, and David Owen, the former British foreign secretary, were received by Soviet Foreign Minister Andrei Gromyko, but they declined to comment on the meeting. Mr. Vance did say that he would report to the Reagan administration upon his return.

Reiterating his support for the SALT-2 treaty, which Mr. Reagan has declared must be renegotiated, Mr. Vance called it a good, sound and verifiable agreement on which he hopes discussions will soon resume.

Mr. Williams, three other Teamster officials and a reputed Chicago organized crime figure are accused of offering Sen. Howard W. Cannon, the Nevada Democrat, 5.8 acres of Las Vegas property in 1979 at a bargain price in return for help in defeating a truck deregulation bill. Mr. Williams' plea was made a day after he met with President Reagan at the White House to endorse the president's economic program.

The high court announced on Thursday that it would immediately review presidential orders suspending American claims against Iranian assets and authorizing a funds transfer.

The Treasury said it did so because the Supreme Court is considering whether President Jimmy Carter had authority to nullify attachments, suspend claims and order the transfer of frozen Iranian assets as part of the deal to free the U.S. hostages in Iran.

The high court announced on Thursday that it would immediately review presidential orders suspending American claims against Iranian assets and authorizing a funds transfer.

The commission's appeal for the retention of the anti-missile treaty signed in 1972 was based on the contention that the cancellation of

Senate, House Panels Meet Budget Cuts, Reports Say

By Helen Dewar
Washington Post Service

WASHINGTON — Senate committees exceeded their target of \$35 billion in budget cuts for the next fiscal year by nearly \$2 billion and most House committees met or surpassed their allotted quotas for cuts, according to preliminary figures.

The estimates were released on Friday, and if they withstand a weekend of intense scrutiny by the Congressional Budget Office, it will mean that the committee — at least on paper — had made good on the promise of austerity that Congress put forth in its budget resolution last month.

It would also mean that, aside from his proposed Social Security benefit cuts, President Reagan has won virtually all he sought in budget reductions, although not necessarily in the form he proposed.

Moreover, Congress is slashing away on schedule, meeting deadlines that once seemed extraordinary for a body that normally acts with no more than deliberate speed on budget matters.

3 Weeks

It has been less than three months since President Reagan proposed his cuts and only three weeks since Congress issued the spending-cut instructions to the committees.

"We are eminently pleased with the results ... it's the most dramatic reduction in ongoing programs in the history of the country," said Senate Budget Committee Chairman Pete V. Domenici, Republican of New Mexico, as he released figures indicating that the Republican-controlled Senate committee cut \$37.1 billion compared with a target of \$35.2 billion.

Rep. Leon E. Panetta, Democrat of California, chairman of the House Budget Committee's task force on budget cuts, had no aggregate figures for actions by the Democratic-controlled House committees but indicated that most had complied and some had gone beyond.

Mr. Burger emphasized in a statement that the Judicial Conference of the United States is the statutory body authorized to express the views of the federal judiciary, adding that ad hoc programs of this nature are neither appropriate nor useful.

Battle With Congress

Judges have argued for several years that pay levels have not kept pace with inflation and are far below amounts they could be earning in private law practice. Current salaries are lower than those recommended last year but they would have been even lower if the Supreme Court had not held last December that congressional actions withholding raises for the judges were unconstitutional.

The suit that led to the decision was brought by Illinois Federal Judge Herbert L. Wilhite, who is part of the organizing committee. The Williams-Conti letter said that the decision, however, gave Congress a road map on how to frustrate future pay increases.

The letter followed a survey of all 753 federal judges distributed by Mr. Conti. Of 332 responses, the letter said, 299 favored a self-help program for the bench.

The judges say they hope to pattern their organization on the California Judges Association, a public relations body that also holds conventions. They hope to include a district or appeals judge from each of the judicial circuits as members of a board.

Appeals Court Reverses N.Y. Census Recount

United Press International

NEW YORK — A federal appeals court has ruled that a lower court was in error when it ordered the U.S. Census Bureau to adjust its population figures for New York without considering the adjustment's impact on other states.

The district court was required to conduct the trial in such a manner that the interests of other states were not prejudiced by rulings that prevented a full and fair development of the facts," the appellate bench said.

The 2d Circuit Court of Appeals in Manhattan reversed and remanded for a new trial the December order by District Court Judge Henry Weiler that the Census Bureau revise its population figures on a statistical basis to compensate for a "disproportionate undercount."

The appeals court advised that the adversely affected states should be brought into the proceedings if feasible.



WHEN YOU TELL 'EM BACK HOME HOW YOU "REINED" IN IRELAND, SAVE SOME IRISH POUNDS ON THE CALL.

The Irish have a way of making you feel like a queen. They put you up in one of their ancient castles. Invite you to lavish medieval banquets at night. And show you the most beautiful countryside in the world by day — in a jaunting cart, no less (with you holding the reins). But before you share it all with the folks back home, check out these pound-saving tips.

SAVE ON SURCHARGES

Many hotels outside the U.S. charge exorbitant surcharge fees on international calls. And sometimes the fees are greater than the cost of the call itself. But if your hotel has TELEPLAN, the way to keep hotel

surcharges reasonable, go ahead and call. No Teleplan? Read on! There are other ways to save.

SAVE WITH A SHORTIE

In most countries there's no three-minute minimum on self-dialed calls. So if your hotel offers International Dialing from your room, place a short call home and have them call you back. The surcharge on short calls is low. And you pay for the call back from the States with dollars, not local currency, when you get your next home or office phone bill.

SAVE THESE OTHER WAYS

Telephone Company credit card and collect calls may be placed in many

countries. And where they are, the hotel surcharges on such calls are usually low. Or, you can avoid surcharges altogether by calling from the post office or from other telephone centers.

SAVE NIGHTS & WEEKENDS

Why Arm Either China?

Secretary Haig's visit to Peking is not just an ordinary diplomatic foray. It signifies that even the most conservative of recent presidents now accepts the strategic value of doing business with a country he used to dismiss as Marxist and godless. A lot of right-wing dogma has been silently interred as President Reagan "normalizes" ties with China. But those ties may yet be unglued by a campaign promise to upgrade American relations somehow with Taiwan.

The key to opening relations with Peking was agreement that there exists only one China, with the tacit understanding that Peking would not use force to retake Taiwan. Since Taiwan also insists it speaks for one China, for the United States to accept that location was well worth the historic breakthrough.

So Reagan wisely retreated from a careless statement that he "guessed" he favored official relations with Taiwan. There is no more talk about undoing the Taiwan Relations Act of 1979, which puts American diplomacy on an "unofficial" basis. The president's loyalty to Taiwan has taken a different form — weaponry. From its start, his administration gave its encouragement to a Taiwanese purchase of the highly advanced FX fighter plane, far superior to anything Peking has. Taiwan doesn't need such planes — but they would befit Reagan's sincerity.

China's leaders view the deal as an affront.

THE NEW YORK TIMES

Reagan and the Mideast

President Reagan faced a dilemma in his initial response to the Israeli raid in Iraq. He recognized a need to distance the United States from the raid and to show that he does not have an anything-goes indulgence of Israel. But he saw good reason not to call the basic American attitude toward Israel into question. Mr. Reagan met both requirements. He condemned the raid, made plain that Israel had violated the arms-sales law and suspended for a while the delivery of four new warplanes of the type used in the raid. (To have delivered those planes on schedule, a few days after the attack, would have been lunatic.) But he did nothing to alter the United States' continuing role as Israel's sole foreign source of arms.

Menachem Begin has been relatively subdued. On the eve of an election, he is evidently disinclined to advertise to his electorate that he has damaged his line to a new American administration and that the raid provoked Reagan to set what Israelis regard as the extremely troubling precedent of impeding the arms flow for political reasons. Begin did, however, allow himself to make an invidious distinction between the secretary of defense, whom he accused of recommending an arms cutoff, and "our friend" the secretary of state. This was petty and wrongheaded.

In another context, the general Arab reaction has also been relatively subdued. Some angry things have been said, but — knock on wood — there are no signs of military or economic reprisals against Israel or the United States. Part of this can be explained by Isra-

el's military superiority and the world oil glut, part by Reagan's prompt and forthright response and part by Arab relief at having Iraq disarmed. Rejecting whatever contribution American diplomacy may yet make in Lebanon, moreover, would serve no useful Arab purpose.

Any effort to turn up the heat at the United Nations will run counter to the administration's proper distaste for submitting important Mideast matters to a forum long ago discredited on Mideast issues. It will be interesting to see, by the way, whether the United Nations will feel any embarrassment at taking up Iraq's complaint of Israeli aggression, even while Iraq continues its eight-month-old invasion of Iran.

The absence of an immediate Arab convolution, however, cannot become an excuse for business as usual — unless the United States wishes to send the message that it cannot be reached by anything short of a convolution. Iraq, Libya, some Palestinians and a few others aside, the Arab purpose is less to rail against Israel for this or that than to deepen the American commitment to easing the Palestinian issue so that the area can concentrate on more enduring problems of security and development. Mr. Reagan told the Arab ambassadors on Thursday that "the only answer in the Middle East is to achieve a true peace." To that end, and not simply for the establishment of an anti-Soviet military belt, his policy must now be shaped.

THE WASHINGTON POST

A Late-Inning Hassle

The first inning in the baseball strike that began Friday was played 94 years ago when the Metropolitan Exhibition Co. invented what became known as the "reserve clause." The clause bound professional baseball players for life to the team with which they first signed a contract. As long as the clause existed, a player could perform only for the team that "owned" his contract, and that contract could be traded by the player's owner at will.

Organized baseball has come a long way and the reserve clause is gone, but its memory lingers on. The way the men who own the big teams tell it, this strike is baseball's ninth inning. Without the re-establishment of some remnant of the reserve clause, they contend, the nation's oldest big-time sport will price itself out of the market and become extinct.

The issue in the strike that has shut down the ball parks is what should happen if a star

plays out his contract, declares himself a "free agent" and signs a contract with a second team. In most business, nothing would follow if similar events were to take place. But in baseball, due to the reserve clause heritage, the owner who lost this player would be entitled to "compensation" from the owner who hired him. The strike concerns what form this compensation should take.

But it seems to us that this strike comes down to two simple questions: Should the players help the owners establish a system designed to protect each owner from the greed of his fellow owners? Is baseball really so different from other big businesses that all those who participate in it need to adopt a grandson of the reserve clause so it can function without absurdly high ticket prices?

THE WASHINGTON POST

International Opinion

Message From the Mist

Out of the mist of the Republic of Ireland's election results, one fact stands clear: that Provisional IRA men did at least twice as well as precedent or prediction suggested. Conducting absentee candidates from within the Maze prison in the North, and pressing an issue which the main parties were not, they collected as much as a tenth of the vote in the nine seats they contested; and under the republic's system of proportional representation in multi-member seats, that allowed two of their number to be elected to the Dail.

— From The Sunday Times (London).

In the International Edition

Seventy-Five Years Ago

June 15, 1906

PARIS — For the first time in the history of the French parliament, the Socialist party has been discussed — by Socialists, it is true — in the light of practical politics. M. Jean Jaurès, leader of the United Socialist Party, which won several seats at the recent elections, has intervened in the debate on the general policy of the Cabinet and has definitely indicated the aims and intentions of himself and his friends. The principal method he proposes is the expropriation of all capitalists, in other words, of all who possess. The Socialist leader added that his fellow Socialists are not agreed as to whether this expropriation is to carry with it an indemnity for those who would be expropriated.

Fifty Years Ago

June 15, 1931

BOSTON — Governor Franklin D. Roosevelt of New York, leaving for his home today after a brief visit here, carried with him the assurances of Massachusetts' Democratic leaders that the state's delegation to the Democratic national convention next year will support him unreservedly as the party's nominee for president. The demonstration in behalf of the New York executive immediately had its political repercussions. In the opinion of political leaders here the Roosevelt-for-president campaign is openly under way. The lid is off, they declare, despite Mr. Roosevelt's avowal that he intends to continue to devote himself to running New York state instead of running for president.



A Serious Twist to a Serious Issue

By James Reston

WASHINGTON — For over a generation, the control of nuclear weapons has been recognized as the most important question before the human family. If they cannot be controlled and their apocalyptic power is used to settle the unavoidable disputes between nations, then none of the other questions — of hunger and ideology and a livable world — can be resolved.

On this point, there is general agreement.

All the nations, regardless of their political convictions, are also agreed on three other propositions: that in a world of limited gas and oil, nuclear power is the most promising source of energy in the coming century; that its development is highly dangerous; that, even so, it will be developed, for peaceful purposes, and in the process will make possible the production of nuclear weapons.

As Sen. John Glenn has recently pointed out, the potential from the plutonium to be extracted at the 247 "peaceful" nuclear power reactors now operating in the world is between 4,000 and 8,000 nuclear bombs per year.

That, of course, is assuming the worst. But while there is general agreement about the danger and the need for both development and control of nuclear energy, there is no agreement about the means to resolve this dilemma.

Many serious people have tried. We have had the Baruch plan, the Lilienthal plan, the Oppenheimer plan, the Acheson plan — all designed to ban the development of atomic weapons, all rejected by the Soviet Union. And now we have the Begin plan: Bomb the nuclear plants of any potential enemy you suspect of developing atomic weapons that may threaten your security.

It's easy to understand Begin's anxiety: Iraq has a government of thugs, committed to Isra-

el's destruction. But it can't even win an unprovoked war against a divided Iran, let alone challenge Israel's superior intelligence and military power. And it wasn't even clear to the nuclear nonproliferation treaty officials in Vienna who inspected the Iraq nuclear facility that it was being transformed into an atom bomb factory.

Nevertheless, the Begin government, which does not necessarily reflect the opinion of the Israeli people, defied all its United Nations treaty commitments against the use of military force, embarrassed its one ally in the Arab world and forgot that America's enduring nightmare is the Japanese sneak attack on Pearl Harbor.

Sorting Out the Wreckage

Begin had asked for a meeting with President Sadat to compose the violence in the Middle East and then, without telling him in advance, ordered the attack on Iraq. He had pretended to support the Reagan efforts to have Ambassador Habib work out a compromise in the Lebanese war, and then made it impossible by his preventive strike outside Baghdad.

The Reagan administration is now trying to sort out the wreckage. For President Reagan, it is obviously an irritation and a puzzle. He had been trying to put together a defense against Soviet penetration in the Middle East, to encourage moderate Arabs to help him in this endeavor, to persuade the European allies that he could restrain the Israelis and keep them in line by means of Washington's pro-Israeli policies — and at the same time to focus attention of the free world on what may very well be the really major threat of Moscow's intervention in Poland.

All these objectives are now in jeopardy.

Reagan, with his secretary of state in China and his undersecretary in South Africa, has been dealing with these developments in his own accustomed and amiable way — which on atomic questions is no longer regarded by his allies as very amusing.

He invited the Arab ambassadors to the White House and told them that maybe the Israelis had gone too far. He invited the Israeli ambassador to the White House and told him that while he regretted having to "suspend" the delivery of four F-16 fighter bombers to Israel, there would be no fundamental change in his commitment to the U.S.-Israel alliance.

That is Reagan's way. He wants everybody to stop fussing and be "reasonable." As an old sports broadcaster, he undoubtedly wants the major leagues to "play ball."

But the control of nuclear weapons is no joking matter, a fact dramatized by Begin's latest outrage. He has asked the nations to agree that Israel be allowed to have atomic weapons, but has bombed his enemy for attempting to have the same; he feels that the United States is "unfair" if it condemns him and withdraws more fighter bombers, to be used as he pleases.

It is not an attractive proposition to most observers in Washington.

Reagan's reaction, which is more important, has been mildly disappointing. He doesn't go so far as to say, as he did during his presidential campaign, that nuclear proliferation is "none of our business." (He later retracted that stand.) But the control of these weapons is now clearly the presiding issue of world politics, and even his best friends are beginning his wonder whether he is a serious man who understands the seriousness of the problem. Menachem Begin has put before him.

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Another Unesco Round on News Freedom

By Philip H. Power

ANN ARBOR, Mich. — Here we go again.

The next round in the long battle featuring Unesco and world news freedom opens Monday, June 15, in Paris with the first meeting of the Intergovernmental Council of the International Program for the Development of Communications (IPDC).

Initially a U.S. idea for an independent clearinghouse to aid developing countries to develop their news and communications systems, the IPDC has gradually become a full-fledged Unesco program — "to develop the appropriate infrastructures, training programs, resources and

means of developing countries in order to increase their indigenous capacity for production and distribution of messages."

On Monday the 35-nation council will start translating into practice the basic IPDC agreement laboriously worked out first at the Unesco meeting in Paris last April and again at the general conference in Belgrade last fall.

This may prove a tough task. On a vital point — the way the IPDC council will make decisions — the working papers produced by the Unesco secretariat differ markedly from previous understandings.

A key Western goal in the 1980 negotiations was to make sure the intergovernmental council would

act by consensus, thereby providing a sort of veto against proposals from a Third World majority which might damage press freedom or stray from the practical into the ideological. Because help for developing countries via the IPDC would come mainly from developed countries, the negotiated formulation — "in [the council's] deliberations priority should be given to seeking consensus" — seemed a fair way to balance the interests of all.

A Basic Rule

However, IPDC draft Rule 25 as prepared by the Unesco secretariat states: "Unless otherwise provided in these rules, decisions shall be taken by a majority of members present and voting." Nowhere in the proposed rules is the notion of a decision by consensus mentioned.

Just why the Unesco secretariat chose to propose a basic rule for the IPDC which ignores the result of two prior and very precise negotiations is not clear.

Many Turks believe that West Germany did not give the required importance to the extradition requests of the Turkish government. Moreover, Italian police were warned by the Turkish authorities just one week before the assassination attempt.

MURAT KOSEOGULLARI, Ankara

Place of Homeland

The distinguished commentator James Reston, who is well-known for his precise reporting, quoted Francois Mitterrand (IHT, June 5) as saying that the Palestinians should have a homeland in the Middle East, while in the text of the French president's replies to the reference to a homeland is not qualified. Mr. Mitterrand's statement is promising as it is, and your addition to it confuses the issue.

ALI DAJANI, Jordan

The same holds true of America's shameful foreign policy. Mrs. Kirkpatrick calls Latin American Nazis our "friends," labels them "authoritarian" instead of fascist, and we all sleep better at night, finally decided that in addition to we also have righteous self-esteem.

DORIE BAKER, Lucerne, Switzerland

Vain Warnings

However attractive it might appear, the "Finlandization" of Poland cannot be seriously posted (IHT, June 1).

If the one boundary along which the Soviet Union feels secure is the frontier with Finland, this is due not to the stability of the Helsinki government but to the presence of neutral Sweden to the west as the sine qua non of Finnish independence.

Sanguine journalistic speculation about an intervention-free liberalization of a Warsaw Pact state whose Communist Party has been denounced in the Soviet media as "revisionist" should be scrutinized skeptically, if not cynically.

ROBERT McGEEHAN, London

dom and proponents of government control by providing practical, non-ideological ways to help developing countries wishing to improve communications systems.

Regrettably, the past thrash over the IPDC has led some people to regard it as little more than another step in a systematic plan to aggrandize Unesco power and attack what remains of press freedom in the Third World. If this fear should turn out to be justified, some Western governments would have little choice but to find other ways to assist developing countries without sacrificing freedom of the press in the process.

An alternative, of course, is to take the easy route and drop out of Unesco. Most people who have watched the organization at work are convinced this would be self-defeating. Much better, they say, to stay in, fight, and try to exercise leadership.

No Fighter

This is not easy just now, particularly for the United States, which has had no ambassador to Unesco since November. The temptation to use the post as a platform for political friends must be strong for an administration that already holds Unesco in low regard.

But the importance of the press freedom issue and the demands of the job argue for an appointee with great knowledge, high political skills and enormous tenacity. With another round in the battle for press freedom opening Monday, it seems hard to win a fight in Paris without a fighter in the ring.

Those who remember Hiroshima and Nagasaki are being replaced by younger generation. The concern expressed over nuclear weapons themselves and also the prospect of being involved in another war — of becoming a target for assault because of a U.S. nuclear presence, or of being dragged into an attack made from Japanese bases.

Yet even Japanese who once dreamed of unarmed neutrality now feel that they cannot afford to lose the U.S. nuclear umbrella.

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U.S. Nuclear Plant Inspections Called No Assurance of Safety

By Irvin Molotsky
New York Times Service

WASHINGTON — A congressional committee investigating last October's water spill at the Indian Point nuclear power plant at Buchanan, N.Y., has concluded that no existing federal inspection system "is not capable of offering genuine assurance that the nuclear power industry is being safely operated."

One of the major problems facing the inspection program is a shortage of qualified Nuclear Regulatory Commission inspectors, according to Rep. Toby Moffett, Democrat of Connecticut and the principal advocate of the conclusion reached by the committee.

Rep. Moffett is chairman of the environment, energy and natural resources subcommittee of the House Government Operations Committee, which adopted its subcommittee's findings last week without dissent.

In a coincidental action, the Nuclear Regulatory Commission announced last week that the number of resident inspectors at Indian Point was being increased from two to four, which could go far toward meeting congressional concern over the power plant.

When the water spill occurred at

Indian Point last October, two inspectors were to have been on duty, but the congressional report noted that one was a new arrival who was away during the week and the other had left the site for the day. The Consolidated Edison Co., which operates the plant, about 35 miles (56 kilometers) north of midtown Manhattan on the Hudson River, was fined \$210,000 by the commission.

"Not Enough People"

Richard C. DeYoung, deputy director of the commission's Office of Inspection and Enforcement, said he had not yet received the congressional report but when its conclusion was read to him, he said, "What does 'genuine assurance' mean? ... No plant can be run with 100-percent assurance." Mr. DeYoung said, adding that the commission was doing the best job possible under the inspection program and given its budget restraints.

"At a particularly sensitive site, like the Indian Point site near New York City, that preventive program was not even one-third completed last year," it said.

"Disturbing Regularity"

Rep. Moffett, speaking of the Con Edison episode and other incidents, said, "We are not saying that anyone is evil, but that there are not enough people."

The problem, he said, was made more complicated by both an intended speedup in the licensing of new nuclear plants and restrictions on new hiring that had been imposed earlier this year before being modified.

In its report, the committee said: "While it is conceivable that the industry is being safely operated, the plain truth is that the Nuclear Regulatory Commission inspection program is not now capable of ascertaining that fact one way or another."

The NRC's routine, basic inspection program, designed as it is to see whether utilities are regular

in the creation of a new industry to produce synthetic fuels.

The new study contains detailed analyses of the domestic potential for producing four specific materials, including cobalt and manganese, both of which are imported in large quantities from Zaire.

That country precipitated a five-fold price increase for cobalt in 1978.

The United States is believed to have significant quantities of cobalt in Alaska, Idaho, Missouri and California but, according to a Pentagon official, "so far it hasn't been very economic to mine it."

With the government guaranteeing to buy all that is offered, however, it is assumed that industry would be encouraged by the stable market to find and produce cobalt.

U.S. Seeking to Guarantee Strategic Mineral Supplies

By Robert D. Hershey Jr.
New York Times Service

WASHINGTON — The Reagan administration, concerned about the nation's heavy dependence on foreign sources for many strategic minerals, is considering a plan under which the government would affect subsidies the creation of domestic supply sources.

A favored option, according to officials familiar with a year-long study now being completed by the Defense Department and the National Security Council, would be to have the government assure a market for any private production of vital materials.

"Where we're trying to go," one official said, is to establish a guaranteed purchase program where we go out into the marketplace and say 'We'll buy all the cobalt you can produce domestically and we'll pay so much for it' if it can't be sold elsewhere. "It might be we'll never have to buy an ounce," he added, "but if we did have to buy it it would go into the pipeline."

Concern about U.S. vulnerability to the loss of foreign materials has intensified lately with warnings by Secretary of State Alexander M. Haig Jr. and others that the Soviet Union has launched a "resource war" against the United States and its allies.

Growing Reliance.

In an appearance before a House subcommittee last September, while Mr. Haig headed the United Technologies Corp., a major defense contractor, he pointed specifically to Soviet moves to expand its influence in Africa. Among the countries that supply large amounts of minerals to the United States are Zaire, South Africa, Zimbabwe, Gabon, Nigeria and Guinea.

The nation's reliance on imports of minerals and metals — oil is generally considered separately — has risen sharply over the past two decades. Of the top 25 such imported commodities, U.S. dependency now averages 70 percent, up from 54 percent in 1960, and for several crucial items more than 90 percent comes from abroad, according to the Defense Department. The United States depends on foreign sources for 20 of the 36 minerals it regards as strategic.

The country imports 98 percent of its columbium and tantalum, 97 percent of its manganese ore, 95 percent of its cobalt, 93 percent of its bauxite and 91 percent of its tin.

These are required for such products as jet engines, specialty tools, missiles, turbines, gun barrels, armor plate and aircraft fuselages as well as many other industrial products less directly related to military hardware.

Chromium Deficiency.

Planners at the Pentagon and other government agencies note that the supply of such items could be interrupted in situations well short of war and in some cases by the decision of one or two producers in unstable parts of the world.

They also observe that, unlike oil, in which the country is now only one-third dependent on foreign sources, these materials are generally recognized as essential by the general public. Said one Defense Department official, "It isn't oil that the Germans ran out of in World War II — it was chromium."

The recommendation that the government establish the capability to produce many strategic materials at home would employ the powers of the president under Title II of the Defense Production Act to take or guarantee loans or take her steps to ensure the availability of vital resources.

The preference appears to be for a program of "very minimal" government support, one akin to the merging federal role in assisting

Glimpse of Supporters

The survey provides evidence that the Moral Majority is growing in recognition, because only 40 percent of those responding to a Gallup poll last December said they knew of the group.

In addition, the new survey provides a revealing glimpse of the group's stalwart supporters, and the deep-seated national concerns it has capitalized on.

Among those polled, three-fourths of the Moral Majority's strongest supporters voted for Ronald Reagan, and consider themselves conservatives. They are far more religious than the rest of the country, have less formal education and tend to live in suburbs and small towns in the South, Midwest and West. They are more likely to be blue-collar workers rather than professionals, and Republicans rather than Democrats.

The greatest opposition to the Moral Majority comes from liberal Democrats, Catholics, college graduates, big city dwellers and those who live in the Northeast. There is little difference in age, sex or income levels between those who support or oppose the group.

Nonetheless, the poll suggests that a substantial number of people who say they know of the Moral Majority and who express approval of its goals may in reality be unfamiliar with those goals. For example, almost half those who told Post-ABC interviewers that they generally approve of the positions "the Moral Majority takes on most issues" also said that they approve of the Equal Rights Amendment, which the Moral Majority opposes.

Public Anxiety.

The poll, however, indicates widespread support among the public at large for many of the positions advocated by the Moral Majority, and widespread anxiety over sexual permissiveness, homosexuality, abortion, court decisions and the moral drift of the United States, all issues the organization raises.

"I think the morals of the country are going down. Parents aren't teaching their kids enough about morality," said an affluent Dallas housewife. "Kids are getting everything too soon these days."

Among those surveyed, 67 percent disapprove of the U.S. Supreme Court ruling banning the reading of the Lord's Prayer of the Bible in public schools; 64 percent say the sale of pornography should be banned; and 65 percent say sexual permissiveness has been bad for the country. These are all positions held by the Moral Majority.

Strong crosscurrents of moral indignation and conflicts over values run through other items in the poll. For example, three-fourths of those surveyed favor the death penalty for persons convicted of murder; only 20 percent oppose it.

Ambitious Program.

The Moral Majority celebrated its second birthday last week by announcing an ambitious program to expand its membership from the current 4 million to 7 million during the next 12 months. It also revealed plans to form a new legal organization, tentatively called "Citizens Legal Defense Fund," as a conservative answer to the American Civil Liberties Union.

Opponents of the Moral Majority say the organization reflects genuine concerns of a great many Americans. "They do have a base. People are concerned with morality in a general sense," says George Cunningham, executive director of Americans for Common Sense, a group set up by former Sen. George McGovern to counter the Moral Majority and other New Right groups.

Mr. Hayden was invited to address students at the University of the Witwatersrand on Monday.

The student groups that invited him said in a statement that a "breakdown in communications"

resulted in the couple having the impression that their visas had been awarded "without any conditions attached."

The black homeland policy is considered the pillar of South Africa's system of racial segregation. The students said they advised that the visit be canceled because they regarded the visa as "a crude attempt to use them [Mr. Hayden and Miss Fonda] to lend legitimacy to the alteration of separate development."

Flight Blocked in Italy

The Associated Press

ROME — A 24-hour strike by traffic controllers canceled all domestic and international flights. Italian and foreign airlines in Italy Sunday. The walkout was led to back up a demand by the controllers that they be changed from military to civilian status, a demand that the government has promised to implement.

Young Dutch Squatters' Cause Admitted Even by Their Detractors

The Associated Press

JOHANNESBURG — A visit to South Africa by the American political activist Tom Hayden and his wife, the actress Jane Fonda, has been canceled after the government issued the couple visas for entry to the black homeland of Bophuthatswana only, the Rand Daily Mail reported.

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resulted in the couple having the impression that their visas had been awarded "without any conditions attached."

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The black



Crown Prince Fahd

SAUDI ARABIA

A SPECIAL SUPPLEMENT



King Khaled

A Young Nation Is Thrust Into a Leading Role in International Affairs

By Ken Whittingham

NEXT YEAR will be the 50th anniversary of the founding of the Kingdom of Saudi Arabia by Abdazziz Ibn Saud, who by a mixture of force and diplomacy forged a unified state from a vast desert region populated by numerous nomadic tribes.

Half a century later, because of its vast reserves of oil, Saudi Arabia is one of the most important and at the same time one of the least understood nations, with a level of political and economic influence that belies its youth. Indeed, many of the ruling family's problems are rooted in the contradiction between the relatively early stage of development, and the demands of an international economic and political role.

For the first 40 years, the rulers had fairly simple relations with other countries. From the beginning, as Western nations competed for dominance of the oil exploration and production businesses, King Abdazziz put his faith in the United States, whose companies were offering a better deal than their British counterparts. That close friendship persisted through the heady days of the Arab nationalistic movement as state after state in the Arab

world won its independence from colonialism. Radical intellectuals raged over the relationship, accusing the kingdom's leaders of being reactionary and of failing to see the United States as a major threat to the Arab world because of its support for Israel.

But Saudi Arabia ignored the radicals, maintaining its belief that only the United States could provide the technology required for development, the military assistance required for security and, as oil revenues grew, the capacity to absorb petro-dollar investments. Oil Minister Sheikh Ahmed Zaki Yamani continued to try to moderate OPEC price increases, and he continues to do so, making it clear that Saudi Arabia can and will control the oil market in the interests of the world economy.

Active Role

But while the kingdom still sees its economic future tied closely to the fortunes of the Western economy as a whole, events during the last four years have shaken a long-standing faith in the United States as a committed ally, and have at the same time forced Saudi Arabia to adopt a more active role in regional and international affairs.

The most dramatic cause of the reluctant change of policy was the Camp David accords, and the consequent exclusion of Egypt from the Arab ranks. Saudi Arabia had been a firm backer of President Anwar Sadat as he turned Egypt away from Nasser's pro-Soviet policies and dismantled the state-controlled economy. But the question of Jerusalem, the third-holiest place in Islam, is of more than political importance to the ruling family, who carry the title of Guardian of the Holy Places, and support for the Palestinians is both a religious and a political commitment.

There is little doubt that former President Jimmy Carter, and probably President Sadat as well, were surprised when Saudi Arabia failed to back the Camp David initiative. But while Saudi Arabia wants a peaceful settlement in the Middle East, it simply cannot abandon deeply held principles or expose itself to the consequent radical backlash.

The second major shock was the fall of the shah, Mohammed Reza Pahlavi, which not only demonstrated the United States' inability to protect a client regime in the Middle East — even the most powerfully armed regime — but also brought an atmosphere of

crisis and revealed how little Washington understands the Gulf region.

With Egypt temporarily removed from its dominant position, and with Iran in a state of internal chaos and unable to share the burden of defending the Gulf, Saudi Arabia has found itself obliged to fill the vacuum of leadership both in the Gulf and the Arab world, partially because of its religious and financial status and partially to ensure that the leadership role is not taken by Iraq. Saudi relations with Iraq have improved in the last two years, but Iraq's relations with Moscow still raise doubts among conservative Saudi leaders.

The leadership has responded positively to the challenge. Despite health problems, King Khaled, virtually unknown outside the nation when selected by the family to succeed to the throne following the assassination of King Faisal in 1975, has proved to be a shrewd, quiet statesman and a harmonizing force among the princes who run the affairs of state.

A more active and open role has been given to top ministers, with Crown Prince Fahd, Foreign Minister Prince Saud al-Faisal, Defense Minister Prince Sultan bin Abdellaziz

and Interior Minister Prince Saad Naif bin Abdellaziz frequently stating their views to the Arab and world media.

The first element in the new Saudi foreign policy has been to strike a deliberate and open policy of nonalignment with either superpower. "If the role of the superpowers toward our cause is constructive, there will be no obstacle to good relations with them," Prince Saud, the foreign minister, said before the visit of U.S. Secretary of State Alexander M. Haig. But he added: "We deceive ourselves if we consider that our relationship with the great powers [in effect, the United States] was based on friendship."

Thus, as Europe has shown itself more understanding of the Arab case in the Middle East crises, so Saudi Arabia has been more willing to buy arms and technology from those countries, especially France and now West Germany. The nation has been generous with aid for Islamic and Third World countries, seeking to ensure wherever possible that Islamic countries in particular have a chance to develop without coming under the total political control of the superpowers.

But it is naturally in the Gulf first and foremost that one can see the Saudi policy of self-

(Continued on Page 8S)

\$234 Billion Has Been Allocated For Wide-Ranging 5-Year Plan

SAUDI ARABIA has embarked on its third five-year development plan, during which \$234 billion has been allocated for projects ranging from basic infrastructure and social services to the heavy industrial projects on which hopes for the kingdom's economic future are pinned.

The major task of Saudi Arabia's development plans is to improve the standard of living in town and village alike. Special emphasis is now being given to villages in areas of agricultural potential, in an effort to persuade farmers to stay on their land rather than drift into the towns, as agricultural development is vitally important to the future of the Saudi economy.

According to Ghazi al-Ghossabi, industry minister and chairman of Saudi Arabia's Basic Industries Corp., more than 80 percent of the second development plan was put into creating infrastructure for industrial projects. During the past five years, 13,000 kilometers of paved roads and 10,000 kilometers of "agricultural" roads have been laid, and electricity has been provided for 1.6 million consumers. In all regions of the kingdom this type of basic development work will continue under the new plan.

The central region's Municipal and Rural Affairs Directorate, for example, has a one-year allocation of about \$90 million, which will be spent on roadworks in towns and villages, water networks, provision of slaughterhouses and other community projects. A similar sum has been awarded to the southern region, where major drainage projects at Khurais, Mushayt and Abha have recently been completed. Where possible, development contracts in the regions are being awarded to Saudi companies.

New Hospitals

In the health sector, work is due to begin on 20 new hospitals throughout the kingdom at an overall cost of \$1.5 billion. These projects include a 1,400-bed medical complex in Riyadh, the contract for which is expected to be signed early next year.

Inevitably, however, infrastructure development is a slow process and rarely attracts headlines despite its importance. For the outside world, the main attention focuses on the

kingdom's ambitious projects in the two new industrial cities of Al Jubayl and Yanbu' al-Bahr.

Al Jubayl on the Gulf coast and Yanbu' al-Bahr on the Red Sea coast became part of the industrial development plan seven years ago following the dramatic rise in oil prices. A decision was made to use at least some of the nation's oil production to supply the domestic need for iron, steel and petrochemicals instead of merely exporting crude oil and then importing such products.

In addition, there was a growing awareness among members of the Organization of Petroleum Exporting Countries of the waste involved in flaring off gas instead of using it as a new material. By one estimate, gas flared by OPEC producers until recently amounted to the equivalent of 6 billion barrels of oil a day. By the middle of the 1980s, Saudi Arabia hopes to be using its gas instead, as fuel and feedstock in steel and petrochemical complexes.

Last 2 Contracts

In May, the last two contracts for the first phase of the development of Yanbu' and Al Jubayl up to 1985 were signed by Mr. Ghossabi. On May 20 an agreement was signed with Dow Chemicals for the establishment of a joint-venture petrochemicals complex in Al Jubayl. The project, estimated at \$1.3 billion, is considered the most important of the 10 projects being carried out by the Saudi Arabian Basic Industries Corp. in conjunction with international companies. The SABIC-Dow complex, which is scheduled to begin production in mid-1983, will produce ethylene and polyethylene.

The second contract, for a \$1.5-billion petrochemical complex, also in Al Jubayl, was signed with a Japanese consortium headed by the Mitsubishi Group. A joint company under the name "Shark" (Eastern Petrochemical Co.) has been formed. The complex will work in cooperation with the SABIC-Dow complex, which will be known as the Arabian Petrochemical Co. (Petrokemya).

Shark is the largest joint venture to be undertaken between Saudi Arabia and Japan. This agreement means that the first phase of SABIC's industrial program is ready for implementation.

When completed, the two industrial zones at Al Jubayl and Yanbu' are expected to have populations of 370,000 and 150,000, respectively, and will encompass seven petrochemical plants, three of refineries, a steel complex and a fertilizer factory. About \$87 billion will be spent on these and other industrial projects during the current development plan.

The scale of Saudi Arabia's industrial program raises questions over how big the market will be for Gulf exports. Crown Prince Fahd has stressed in interviews with the Arabic press: "We look on the Arab Gulf states as colleagues and members of the same team working to the same purpose. We believe any industrial progress in Saudi Arabia is in the interests of the whole Arab world, and we do not ever expect see industrial competition [as

opposed to cooperation] among the Arab countries."

Nevertheless, by the late 1980s Saudi Arabia will be producing more than 5 percent of the world's petrochemical products, with an inevitable impact on the marketplace. Mr. Ghossabi has warned that traditional producers must be prepared to make adjustments.

Other Producers

As for other Gulf producers, Saudi Arabia recently signed an agreement with Qatar — whose petrochemical complex at Umm Sa'id, the first in the Gulf, began operating at the beginning of the year — for cooperation in marketing, training and other aspects of the petrochemical and steel industries, ensuring that Qatar will not be squeezed out of the market by its bigger neighbor.

The Gulf Organization for Industrial Consulting, of which Saudi Arabia is an active member, is also attempting to ensure a complementary rather than competitive approach to industrial development in all the Gulf states, including Iraq.

— KEN WHITTINGHAM



Soccer Bursts Into Bloom as Sports Grow

DESPITE the short history of soccer in the country, young Saudis are as passionate about the sport as their counterparts in any European nation, and just as knowledgeable.

Two months ago, Saudi Arabia's national soccer team won the Asia Group Two qualifying tournament for the World Cup to be held in Madrid next June. The Saudis will compete in the regional qualifying finals against Kuwait, China and another team yet to be decided. Two of the four teams will enter the final stages in Madrid. Should Saudi Arabia reach Madrid, it will be a dream come true.

From the government point of view, the encouragement of sport on a national and international scale is vital for two reasons. First, as the modern way of life replaces the tough survival conditions of desert existence, it is of paramount importance to ensure that young people are physically fit and active. Second, the Arab states as a whole are only too aware of the power of sport in creating good will and friendly relations around the world.

The current success of Saudi Arabia's national side may have surprised the outside world, especially since the regional favorites, the experienced Iraqi team, were defeated on the way. But it was no surprise within the Arab world and the Gulf. Since the Gulf Championship was initiated about 10 years ago, there has been a great spur to development of the sport. Moreover, the success of Iran and Tunisia in the last World Cup

proved that teams from the Middle East can play with pride and confidence at full international level.

Consequently, Saudi Arabia set an ambitious plan to develop the sport throughout the country, calling in one of the best-known names in British football, Jimmy Hill, as a consultant. The result of the plan was that soccer pitches began to spring up all over the country, and soccer training was introduced in schools.

Tareq Diab, who impressed sports fans worldwide with his deft midfield skills, was invited to join a Saudi club. Brazilian star Roberto Rivelino was paid an enormous fee by another club so that some of his talent might rub off on its players. And Pele, (Continued on Page 8S)



Saudi Arabian team (dark shirts) in action against Qatar during final match of qualifying tournament in Riyadh in April.

Saudis Are Taking Over More of Their Planning

Special to the IHT

IN THE LAST five years, Saudis have taken over much of the planning and administrative control of Saudi Arabia's future — a major feature in the nation's development.

As long as development depended essentially on outside advice, there was a risk that projects would benefit foreign contractors more than the long-term interests of the people of the region.

An example of the shift toward Saudi management is Ali Abdulrahman al-Khalaf, secretary-general of the Qatar-based Gulf Organization for Industrial Consulting. Mr. al-Khalaf was appointed when the organization was created in 1976, and is soon to hand over the job to Suliman al-Mejil, from the King Abdellaziz University for Petroleum and Mineral Studies.

The Gulf Organization for Industrial Consulting was set up by seven Arab Gulf states, including Iraq, to coordinate industrialization plans and avoid the kind of duplication that followed the increase in oil revenues in the mid-1970s. At the time, the concept of industrialization was little understood, the kind of statistical material necessary for coordination hardly existed and the idea of long-term planning was virtually unknown.

Team of Professionals

From the beginning, Mr. al-Khalaf had a problem. There was, he said, a tendency for people to think that the mere creation of an organ for cooperation meant that cooperation existed. So his priority was to draw together a team of professionals mostly from the Gulf states and to develop a method of operation to ensure that the organization would at least survive.

The organization is a consultative body with no executive powers, and above all it is not supranational. Mr. al-Khalaf stressed that it was vital to determine the goals of the organization with great care, so that projects would be unanimous acceptance and the organization would not be hurt by political disputes.

The group was intended to identify industrial projects that would benefit the region as a whole but that did not fit within the economic framework of one state. It also sought projects that could best be located in one of the poorer areas, for example, because of available manpower and resources, but that required outside capital and would therefore help that area's development.

With the exception of aluminum, which is intended for exports, most of the 10 projects under study or implementation will supply the local markets.

Information System

To cope with the need for an information system, which has no precedent in the region except in Iraq, Mr. al-Khalaf and Abdulllah Dewachi, an Iraqi systems expert, created the Industrial Data Bank. In addition to classifying and analyzing information from the various



Ali Abdulrahman al-Khalaf

ous states, it draws on major international sources to analyze market and production projections as well as socioeconomic indicators.

One of the most important achievements of the Gulf Organization for Industrial Consulting is that the member states have begun to copy and upgrade their information systems. Saudi Arabia recently announced the establishment of a major statistical research unit, in addition to facilities already created in its universities.

On Feb. 10, 1981, the first major projects of the organization reached the implementation stage when the industry ministers of the seven states signed an agreement for a common project, an aluminum rolling mill in Bahrain. Saudi Arabia already had a 30-percent share in Bahrain's aluminum smelter ALBA, and the states agreed that at least in the first stage of industrialization it made sense to continue to develop this sector in Bahrain.

Mr. al-Khalaf said that he was pleased and surprised at the speed with which the agreement was reached. Since then, he has pushed through an agreement in principle on the location of a float glass plant in Iraq, and discussions are under way on the location of a petrochemical plant. Seven other projects are undergoing further research.

Most of the projects under study involve government financing. Although these ventures are identified by the Gulf organization as economically viable, they are not commercially viable in the sense that they would not produce the quick returns required by private sector investors. But on ventures that are feasible privately, information is made available to interested parties.

Contract Near for Causeway Linking Nation With Bahrain

Special to the IHT

TOWARD THE END of this month the final details and documentation should be ready for contracts to be signed for the construction of the much-discussed causeway linking the eastern province of Saudi Arabia with Bahrain.

The 25-kilometer causeway, which is expected to cost at least \$800 million, will be financed by Saudi Arabia. The contract is expected to be signed by Saudi Finance Minister Mohammad Abul Khalil and Bahrain's minister of industry and development, Youssif Ahmad Shihawi.

Although the winners of the contract have not yet been officially announced, this major project is thought to have gone to a Dutch-led consortium that includes a Saudi company. The scale of the project, which will take up to five years to complete, means that there will also be plenty of work and orders for local manufacturers and contractors.

Subcontracts

It is expected that subcontracts will be divided about evenly between the two sides, although Bahrain will no doubt provide accommodation and service facilities for the expected 5,000 construction workers.

Much of the debate over the causeway has been concerned with the effect of creating a land link between the most conservative state in the region, Saudi Arabia, and the most liberal, Bahrain. But officials on both sides say that there is no desire on the part of Saudi Arabia to impose anything on its smaller neighbor.

On the contrary, the feeling is that trade and industry on both sides of the water will benefit greatly from an expanded market, and, in the case of Bahrain, shipment of food imports by land instead of air freight will help to improve the standard of living by cutting costs.

The causeway is considered both in Saudi Arabia and Bahrain to be one of the most important and historic projects to be undertaken yet in the Gulf, a symbol of the new mood of cooperation governing the area.

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SAUDI ARABIA

Country's Status Increases Within the IMF

By Edmund O'Sullivan

SAUDI ARABIA'S place in the international monetary system received further recognition in a unique deal announced earlier this year by the International Monetary Fund.

The kingdom's IMF quota was doubled by the fund's board of governors, raising it to 2.1 billion special drawing rights (\$2.55 billion) from 1.04 billion SDRs (\$1.26 billion).

This dramatic increase follows one of the biggest loan agreements ever recorded. In March, Saudi Arabia agreed to lend up to 4 billion SDRs (\$4.7 billion) to the IMF in each of the next two years, and probably in a third. The kingdom was also given a permanent seat on the IMF executive board.

The two deals — which will increase the kingdom's voting power on the IMF board to 3.5 percent from 1.74 percent — are considered a breakthrough for a number of reasons. They will strengthen the fund at a time when non-oil producing countries' balance-of-payments deficits are growing because of higher energy prices. According to the IMF's managing director, Jacques de Larosiere, about 6 billion to 7 billion SDRs is needed in 1982 alone to assist member countries. At least this much will also be needed in 1982.

Political Issues

From Saudi Arabia's point of view, the IMF deals will provide support for its claims to be taken seriously by industrialized countries in both political and economic matters. The kingdom has avoided introducing its political aspirations in negotiations with the IMF — most notably its view about how a comprehensive settlement of the Palestinian issue can be achieved. Nevertheless, Saudi Arabia has previously sought observer status for the Palestine Liberation Organization at IMF and World Bank meetings. This question is likely to arise again in future talks.

Additionally, the deals may boost the further use of the SDR, which was created in 1967 to supplement international liquidity but which has so far failed to play the part in the monetary system that many hoped it would. This development owes something to the IMF's decision earlier in 1981 to simplify the basket of currencies used to value the SDR. It also re-

flects growing dissatisfaction with national currencies as a medium of exchange and store of value because of the chronic instability of foreign exchange markets. Finally, it enhances prospects for oil-pricing in SDRs.

Increased use of the SDR both by supranational agencies and private sector borrowers will please Saudi planners and other members of the Organization of Petroleum Exporting Countries, who have recorded less-than-satisfactory re-

turns on their dollar-denominated investments because of inflation and the U.S. currency's weakness at times on foreign exchanges. The kingdom's attempts to diversify the currency mix of its overseas investments include loans in 1980 to the Japanese and West German governments.

A feature of the Saudi-IMF package is that interest on the loans is closer than ever to market levels. It has been based on the current interest rate in the five cur-

rencias now in the SDR basket, plus a margin of one-sixteenth of a percentage point, giving a total of 11 percent. Even more significant is that the Saudis will be able to convert the IMF loan into bearer bonds, which can be sold in secondary bond markets.

The IMF deal is the latest step in Saudi Arabia's search for a leading place in international monetary systems. It puts the kingdom sixth in the IMF hierarchy in terms of quotas, close behind Ja-

pan, France and West Germany, and ahead of Canada and Italy.

The IMF is now expected to turn to other OPEC member states, who like Saudi Arabia have record oil revenue surpluses. Kuwait and the United Arab Emirates are being approached, together with leading industrial countries who have been asked to provide \$1.2 billion. No other Middle Eastern country will be expected to contribute on the scale that Saudi Arabia has committed itself to, however.

Even so, the annual loans are less than 50 percent of the Saudi government's forecast budget surplus in the present financial year, which started in early May. This is expected to rise to 42 billion riyals (\$12.5 billion) — about 10 percent higher than unofficial estimates of the 1980-1981 surplus. The total assets controlled by the Saudi Arabian Monetary Agency are believed to be at least \$80 billion.

The political ramifications may be the real legacy of the IMF deal. Saudi Arabia is sensitive to complaints that OPEC hurts developing countries most. It is already a major donor to the Third World through a range of Arab-based agencies that have been created since the 1973-1974 oil price increases. The IMF deal is one of the most impressive signs of the kingdom's commitment to global economic stability and the welfare of the less developed world.

Soccer Making Progress

(Continued from Page 78)

idol of youngsters throughout the Arab world, was invited to run some training sessions.

Mostly, however, it was a question of sheer hard work of persuading players of the necessity to train daily to improve their stamina and skills, and of providing the facilities for them in a country where the climate is hardly conducive to the rigors of physical exertion. These facilities have mushroomed — some provided by the state, others by princes who personally finance many of the leading sports clubs in Saudi Arabia. One young prince, Talal bin Mansour, chairman of the Ittihad club in Jidda, is estimated to have paid about \$10 million to develop the club in the last five years.

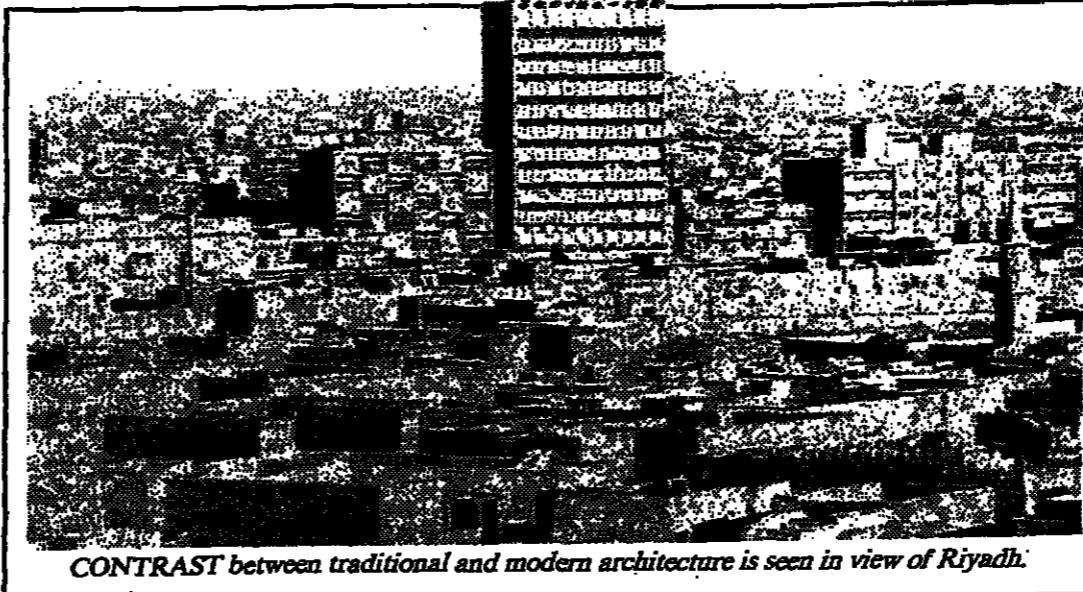
Recently, the chairman of the Saudi Youth Welfare Organization, Prince Faisal bin Fahd bin Abdulaziz, signed a contract with an international company to build a \$75-million sports city in the summer resort of Taif. Although not all on the same scale, there are many such projects in most of the major towns as the demand for sports facilities continues to grow.

Swimming

Most international sports are now played in Saudi Arabia at one level or another, with particular emphasis on athletics, and perhaps surprisingly, on long-distance swimming. Saudi Arabia used to sponsor an international English Channel relay race, partially with the aim of giving Arab swimmers the chance for high-level competitive experience.

But the main passion is and probably always will be soccer. Local matches, especially for the well-established clubs like Ittihad of Jidda and al-Nassr of Riyadh, draw large crowds for domestic league competitions and knockout cups. Indeed, when Ittihad fell in this year's league from first to sixth place, it created a nationwide enquiry and speculation of the kind one expects when major teams like Liverpool or Ajax fail to appear at the top in their respective countries.

— KEN WHITTINGHAM



CONTRAST between traditional and modern architecture is seen in view of Riyadh.

Nation in a Leading International Role

(Continued from Page 78)

protection through cooperation rather than confrontation. At the recent Gulf Cooperation Council summit meeting, Riyadh was selected as the headquarters for the council's secretariat, and the meeting also affirmed the policy that Saudi leaders have been declaring for some months — that the interests and security of the Gulf can only be defended by the people of the Gulf. The concept of foreign bases and intervention forces was rejected — a response to the U.S. request to base the Rapid Deployment Force in Saudi Arabia or Oman.

Although Saudi Arabia has the world's largest military budget per capita, it is doubtful whether the Gulf states alone or collectively could in fact repel a sustained military attack. But Saudi Arabia and its neighbors argue that, as long as neither superpower is based in the Gulf, there is no reason for either to attack. The presence of foreign troops not only raises the threat of military action but

also raises dissent among radicals who have been active opponents of Western military presence in the past but are now largely content with the situation.

Gulf Council

The Gulf Cooperation Council is more than a strategic body. Saudi Arabia and the other Gulf states know that stability depends on balanced development throughout the region so that no state is left behind to become a breeding ground for discontent. This idea extends to the Arab world as a whole and is the principle behind the program for an Arab decade of development agreed upon at a summit meeting in Amman last year; it will be financed by the oil states, led by Saudi Arabia.

On the wider international front, Saudi Arabia is seeking to use its financial influence through such bodies as the International Monetary Fund to press for a radical change in the world economic order so that developing

countries who do not have Saudi Arabia's wealth do not find themselves crippled by interest payments on development loans. The Saudis also want the West to make a larger contribution to development because they believe that worldwide development is in the interest of all nations.

Saudi rulers adopt a discreet approach to foreign relations, partially because of a conservative attitude toward the media and partially because they do not like the use of press and blackmail.

Saudi Arabia has avoided moving from cooperation to confrontation by using oil to force the West to do what it wants — on the Palestinian issue, for example. Prince Fahd said recently that using pressure of that kind would imply that the Arabs did not have right on their side, but he also said, "Oil is a vital resource for the world, but when people are left to suffer, then any weapon may have to be used, and it is not always necessary to talk first before taking action."

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SAUDI ARABIA

Pressure Mounting for Revival of the Hejaz Railroad

IN THE YEAR 1900, the caliph of the declining Ottoman Empire, Sultan Abdul Hamid II of Constantinople, ordered a railroad to be built to carry pilgrims from the north of the Islamic world to the holy places of Mecca and Medina.

Built by forced labor under Western engineers, the 1,500-mile desert track took eight years to complete. In 1908, the first train left Turkey for Arabia.

The long, difficult route passing through waterless desert made the

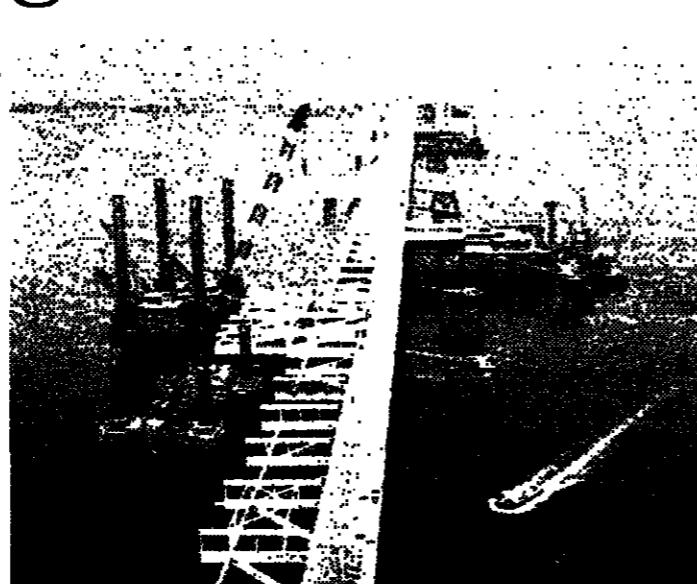
line between Maan in southern Jordan and Medina deep in the Hejaz was put out of commission.

Since 1916, there have been numerous plans to revive the railroad, with both King Abd al-Aziz Ibn Saud, the founder of the kingdom, and his successor, King Saud, providing money for studies to be made on reopening the railroad. By 1956, plans had been established but no work was carried out.

Earlier this year the Hejaz railroad project was again raised in discussions among Jordan, Syria and Saudi Arabia. But despite the enthusiasm of Saudi Communications Minister Sheikh Hussein Ibrahim al-Mansouri, who sees the railroad as an excellent long-term proposition, no decision was made and the matter was once again deferred.

Originally, the idea was to provide access to the holy places of Islam for pilgrims who otherwise faced a long and dangerous journey through the desert to Mecca. But these days the railroad has more far-reaching implications.

Fleet after fleet of trucks and landtrains pass daily from Syria through Jordan to Saudi Arabia and the Gulf beyond, carrying fruit and foodstuffs, but also much-needed electronics and mechanical equipment that cannot be consigned to relatively slow sea routes.



Part of Open Sea Tanker Terminal at the Al Jubayl industrial harbor. Jubayl population may hit 300,000 by end of decade.

great Hejaz railroad, one of the wonders of the new age of engineering, but its history was short, as moviegoers know well. Those scenes in David Lean's "Lawrence of Arabia," where Lawrence leads the Arab forces to attack Turkish troop trains and blow up the track, were based on fact.

T.E. Lawrence ordered the Arab troops under King Hussein of the Hejaz to destroy the railroad to prevent a Turkish advance in 1916. Virtually the whole length of the

Light-Industry Projects Are Encouraged to Help Cut Imports

SEVENTEEN YEARS ago a Saudi businessman from Riyadh, Sheikh Nasser al-Hamid, thought there might be a future in making metal furnishings. Now he has a flourishing factory turning out air conditioners, water coolers, metal storage cupboards and other products.

Sheikh Nasser — known as the father of Saudi industrialists — and other pioneers, who have worked at changing the domestic economy of Saudi Arabia from trade to production, could take pride when, earlier this year in Jiddah, Jiddah and Dammam, week-long exhibitions of local industry were held to show Saudi citizens and the rest of the world that there is more to the kingdom than sand and oil.

There are now more than 1,000 manufacturing companies operating in Saudi Arabia, some purely local, others in partnership with foreign companies. At least 600

sprang up during the last five-year development plan.

Opening the industrial exhibitions, Crown Prince Fahd said that the industrial zones established throughout the kingdom cover more than 14 million square meters, and that the capital investment of private sector industry stands at more than \$8 billion.

Financial Aid

The aim of the light-industry expansion program, said Prince Fahd, is to persuade the private sector to enter into as many areas of manufacture as possible, to reduce the heavy burden of imports. "I do not speak of self-sufficiency," he said, "for self-sufficiency is simply not a realistic target in this age, but we aim as far as possible to replace industrial imports by local products."

The main impetus for persuading Saudi businessmen to enter industry is provided by the Saudi In-

ustrial Development Fund, set up seven years ago to give financial and technical aid to new ventures.

SIDF is vital to domestic industrial development, as it not only aids small businesses but is responsible for financing major electricity projects that aim at giving the entire kingdom sufficient power by the end of the century.

Since its inception SIDF has disbursed more than \$2 billion to 577 industrial projects. Loans are given up to a maximum of 50 percent of a project's capital and are repayable over five years at no interest, though a 2-percent service fee is levied.

The fact that a project is financed by SIDF usually means that banks are willing to offer substantial loans. Since SIDF carries out a careful assessment of the feasibility of any new project and offers technical advice and assistance in the early stages, SIDF has rarely been disappointed by its clients so

far, and repayments have, on the whole, been on time.

Many would-be industrialists now approach SIDF before beginning planning, and thus the fund's advisers are able to play an important role in directing industry toward the nation's requirements.

In the past few years there has been a heavy concentration on construction materials, since during the second five-year plan work

was begun on more than 100,000 housing units and 60,000 municipal buildings.

Import Competition

But as the boom in building recedes slightly there is also considerable emphasis on domestic products and processed foods. It comes as a surprise to some supermarket shoppers how many of the products they buy now carry Saudi manufacturers' labels.

As the manufacturing sector grows, so does the problem of

competition with the imports that have previously flooded the market. Here government policy is straightforward: Where domestic industry is capable of supplying 50 percent or more of demand for a given range of products, a tariff may be applied. Where local industry cannot supply demand, the interests of the consumer take priority and no protection is applied, since a goal of the light industrialization program is to reduce, not increase, inflation.

Some experts estimate that in the building sector alone, the availability of local products has reduced housing costs by as much as 10 percent in the past five years — with a consequent reduction in the cost of living index — and similar results are hoped for in the domestic goods and foodstuffs areas over the next two or three years.

The growth of manufacturing also has important social implications. The state's heavy industries, mostly capital-intensive, oil-related

ventures, do not require much in the way of semi-skilled labor. Thus, although there is a chronic shortage of labor in construction and agriculture, there are few opportunities for coming generations of high school graduates, and the government has long complained that foreign management have ignored the need to train Saudis. Local industries, mostly on the small side in terms of manpower, provide an excellent training ground.

Moreover, industrialization is slowly but surely changing the mentality of the business community in Saudi Arabia — as elsewhere in the Gulf — from trade to manufacture and from foreign to local investment. Under the latest five-year plan provision is made for the establishment and nationwide expansion of a Saudi stock exchange, following Kuwait's example. This, it is hoped, will help keep private investment capital working within the country.

— KEN WHITTINGHAM

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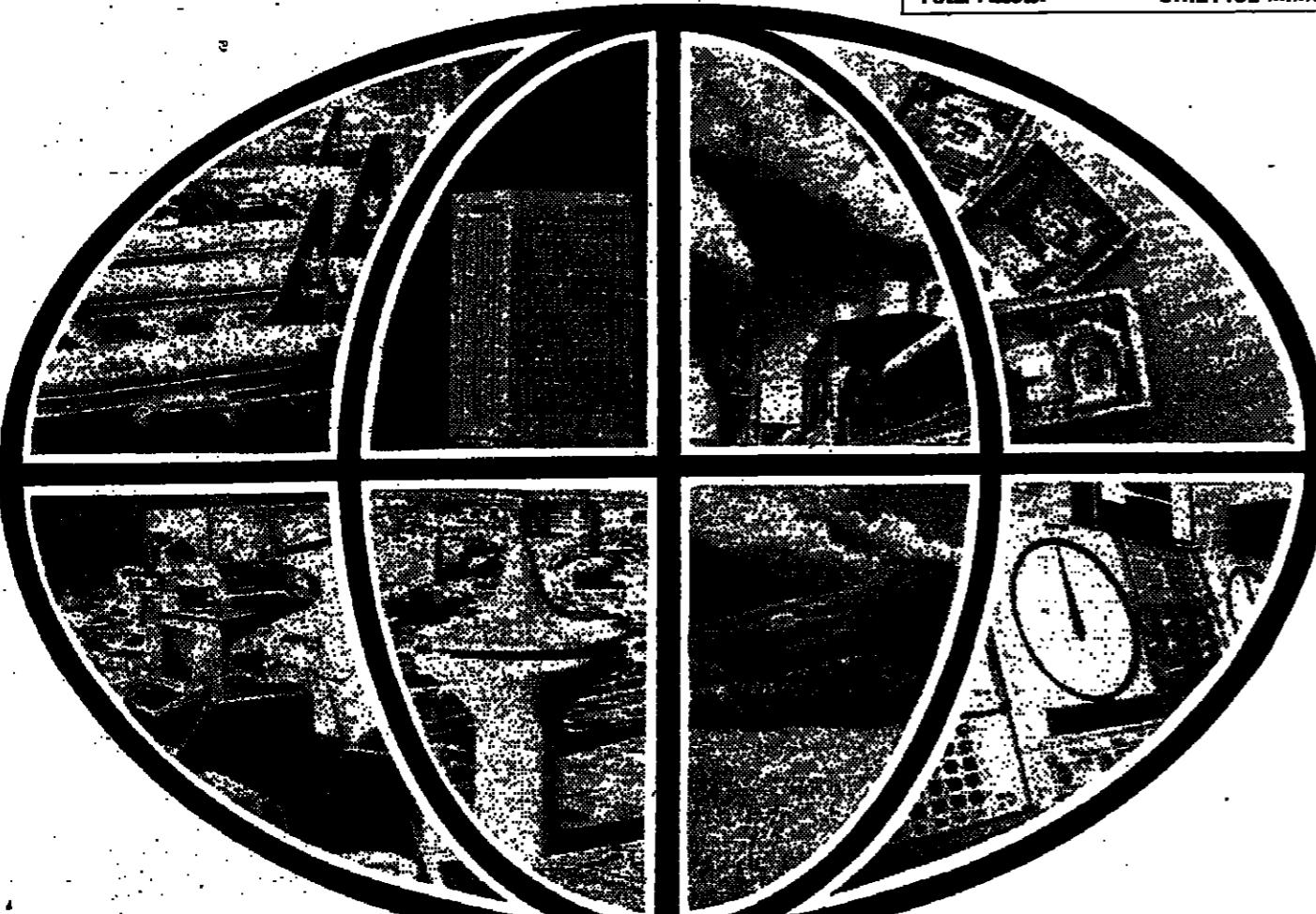
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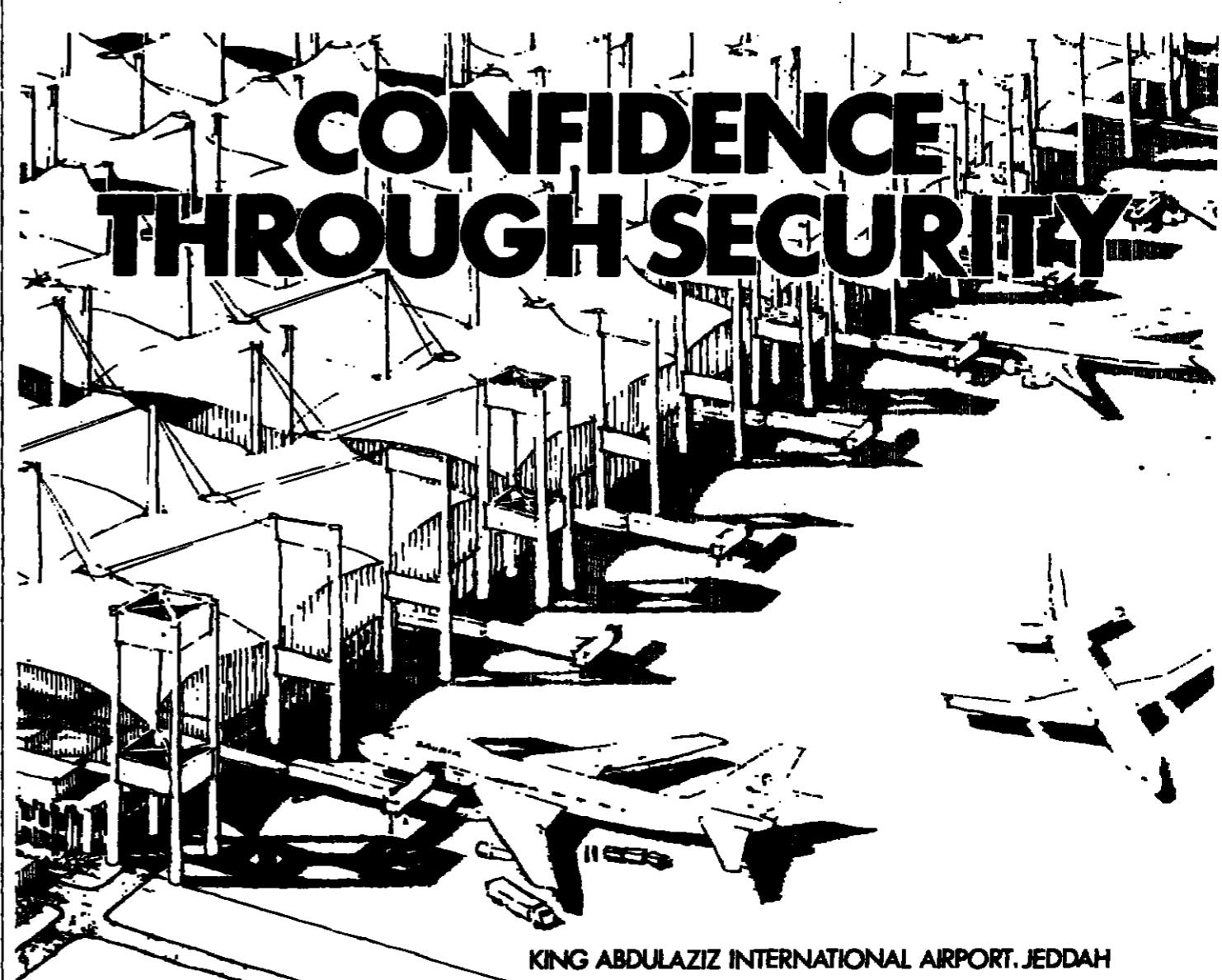
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Balance Sheet at 29-6-1400H (14.5.1980)
Capital and Reserves: SR. 1325 Million
Deposits: SR.11011 Million
Total Assets: SR.21492 Million



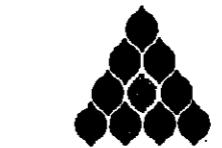
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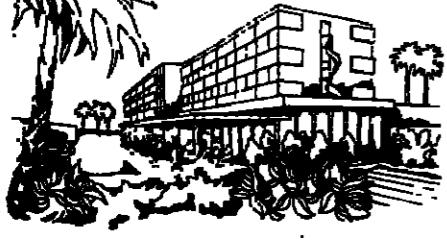
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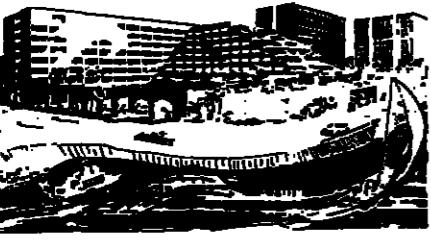


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The Renaissance of Islam

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FROM MOROCCO to Indonesia, Islam is stirring. After almost 400 years of being buried under colonialism, Islam is again becoming a force in the world, and in many ways the heart of the renaissance is in Saudi Arabia.

The movement is a renaissance — not a revolution, as it has been described in the West, since the shah of Iran was overthrown. Despite the publicity given to events in Iran, the main force of the resurgence of Islam is not, as 19th-century historians might have described it, a movement for "Islam or the sword." It is, rather, a question of almost one-third of the world's nations regaining confidence in their religious principles and social code.

The movement can basically be attributed to the fact that Islamic nations possess more than 60 percent of the world's oil reserves, and consequently, with the rising price of oil they have, despite their underdeveloped state, gained a position of influence in the world economy. Saudi Arabia's role as the world's largest oil-exporting country is crucial to the movement.

Quite apart from its financial power, Saudi Arabia is the birthplace of Islam and the location of its holiest places. Every year, Moslems from all over the world gather in Mecca for the pilgrimage, a duty at least once in a lifetime for every Moslem who is able to attend.

Feast of Sacrifice

This year the pilgrimage, which takes place during Id al-Adha, the feast of sacrifice, will be in August, and more than 1.5 million Moslems are expected to attend. This vast annual influx is one reason for the construction of the King Abdalaziz Airport in Jidda. The airport, which cost \$5 billion, includes a special terminal for pilgrims that can handle up to 20 fully loaded jumbo jets at once.

Once, the pilgrimage was important to the economy of the region, for it was a great trading event as well as a religious gathering. But these days the cost of providing transport, accommodations and medical facilities for the army of pilgrims is a large expense.

Islam requires a great deal more from the adherent than acceptance of a set of dogmas. It is a social and legal system, regulating every aspect of the life of the individual and the nation.

Moslems say that the newly discovered strength of Islam is not a threat to the rest of the world.

This year the pilgrimage, which takes place during the feast of sacrifice, will be in August, and 1.5 million Moslems are expected to attend.

vive and become profitable without being burdened with escalating interest repayments, which in many cases have kept developing countries in a permanent state of bankruptcy. The Islamic Investment Co. enters into financial partnership with a company or individual. If the private investor fails to make the scheme work, the most he loses is his stake; the IIC then moves in its own management. If the project succeeds, the private investor can buy out the IIC's stake over five years.

The resurgence of Islam has also engendered a new spirit of research and enquiry, as Moslems try to rediscover their history.

During Europe's Middle Ages, great works of scholarship were written in the Islamic world that have influenced later scientific development in many fields. For more modern history, a department in King Abdalaziz University in Jidda is preparing studies on Moslem minorities around the world and has begun to publish an academic journal to publicize its findings.

Islam has an important economic component, and this is where the full force of the Islamic renaissance is being seen. As the Islamic nations have shown a willingness to come together as a world grouping, so have Saudi Arabia and neighboring oil producers been willing to help finance the development of the Islamic world from Morocco to Indonesia. A special fund based in Jidda, the Islamic Development Bank, plays a major role in providing funds, and Saudi Arabia also provides large sums through bilateral agreements.

Islamic principles are also entering the banking world. In several Arab countries there are new banks operating on Islamic principles, which means that there is no interest on deposits or loans, only profit-sharing in investment. A Saudi prince, Mohammed al-Faisal, is chairman of the Sharjah-based Islamic Investment Co., which in the three years since it was formed has attracted about 10,000 investors and more than \$70 million of capital.

At a recent meeting of the board of directors of Islamic Investment in Geneva, steps were taken for the establishment of a 49-nation Dar al-Mal al-Islami (Islamic Finance House) with an initial capital of \$1 billion to allow the entire Islamic world to benefit from its own economic rules.

The advantage of the Islamic investment system with its ban on interest is that a project in a developing country has a chance to sur-

Marriage Pays

Special to the IHT

LIKE ALL of the Gulf states, Saudi Arabia suffers from a shortage of national manpower, and in fact it is generally underpopulated with a population density of only about 9.91 per square mile. Many of the nation's development plans depend on a steady population growth.

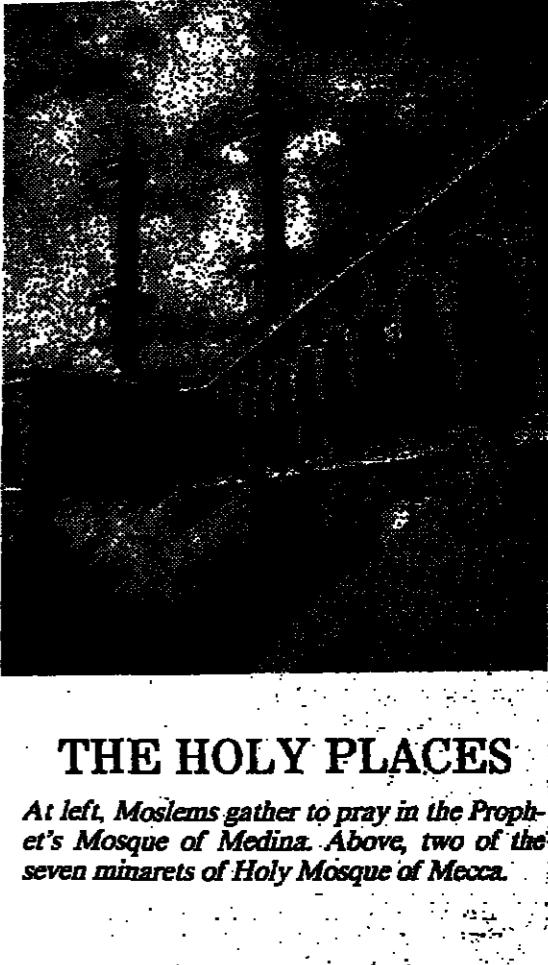
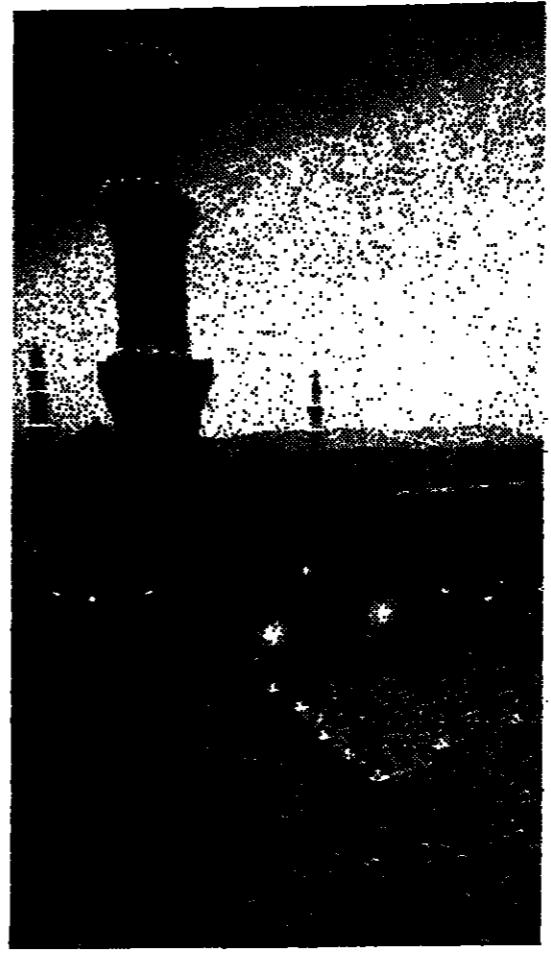
Yet young Saudi men are showing a reluctance to get married because inflation has affected the level of dowry. The dowry is a vital part of the Islamic marriage system, guaranteeing the bride a measure of financial security in the case of divorce — which is especially important since under Moslem law a man can divorce his wife with relative ease.

Several of the Gulf states have sought to persuade young men to get married and start families. Qatar and Iraq have created systems of loans and grants to young men facing financial hardship, while Oman has set an \$1,300 limit on dowries.

Last month, Saudi Arabia also announced new measures. Poor Saudis, provided they can prove that they adhere to the practices of Islam, will be eligible for grants of up to \$7,000 when they marry. The funds, donated by King Khalid, members of the ruling family and an anonymous donor — who gave \$300,000 — will be disbursed only to those unable to raise sufficient funds on their own.

It is hoped that this initiative will encourage marriages between Saudis and thus increase a population that is in danger of becoming a minority in its own land.

Another recent ruling by the religious authorities declares the right of a bridegroom to see his bride unveiled at least once before the marriage takes place.



THE HOLY PLACES

At left, Moslems gather to pray in the Prophet's Mosque of Medina. Above, two of the seven minarets of the Holy Mosque of Mecca.

البنك الازهري للتجاري

THE NATIONAL COMMERCIAL BANK

PARTNERSHIP COMPANY-C.R.1588

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BALANCE SHEET AS AT 30th. DHUL-HIJJAH 1400 (8th. NOVEMBER 1980)

1399 S.R.	PROPERTY & ASSETS	S.R.	S.R.	1399 S.R.	CAPITAL & LIABILITIES	S.R.	S.R.
1,135,843,816	CASH FUND	2,380,286,728		30,225,193	CAPITAL RESERVES	30,225,193	
6,057,347,491	2. Statuary Reserves with Saudi Arabian Monetary Agency	2,869,860,816		32,774,867	Statuary Reserves	32,774,867	
2,735,802,572	3. Statuary Reserves with Saudi Arabian Monetary Agency	2,596,286,400		1,437,000,000	Other Reserve Reserves	1,437,000,000	
8,868,861,881				48,085,658	Surplus on revaluation of properties	48,085,658	
77,003,220,624	DEPOSITS WITH BANKS	43,101,216		31,877,141	Surplus on revaluation of investments	31,877,141	
5,711,020,842	1. In Saudi Arabia	8,867,762,275					
8,780,860,804	2. Abroad						
227,055,331	INVESTMENTS:						
530,088,935	1. Short-term investment of Saudi Arabia in market value	229,029,890					
227,072,237	1. Short-term investment of Saudi Arabia in market value	659,602,571					
7,854,743,070	2. Other investments						
150,158,475	LOANS, ADVANCES ... etc						
632,000,000	1. To customers	10,485,759,746					
262,888,414	2. To companies	5,481,498,037					
8,707,888,504	3. Other advances	230,243,785					
321,060,300	FIXED ASSETS						
43,203,624	1. Bank premises and other real estate, less cost or depreciation	444,311,468					
284,382,884	2. Furniture, fixtures and equipment, less depreciation	55,557,357					
107,441,372	OTHER ASSETS						
827,169,545	1. Customer's liabilities for outstanding acceptance	124,048,418					
844,107,877	2. Other assets	417,443,840					
29,360,860,876	Sub-Total						
17,848,988,802	CONTRA ACCOUNTS						
44,180,724,879	Customer's liabilities under guarantees, letters of credit and other obligations	18,478,978,228					
	Grand-Total	45,067,072,257					

AUDITORS REPORT

SALEM AHMED BIN MAHFUZ GENERAL MANAGER

We have examined the above Balance Sheet and the annexed Profit and Loss Account with the books and documents relating thereto of the Head Office and Branches of The National Commercial Bank Partnership Company visited by us, and with the returns submitted by the Managers of the other Branches, and certify to be in accordance therewith.

We have obtained the information and explanations which we considered necessary for the purpose of our audit.

In our opinion, the Balance Sheet and Profit and Loss Account represent fairly the financial position of The National Commercial Bank at 30th Dhul-Hijjah 1400 (8th November 1980).

JEDDAH: 27th Rabi Al-Asr 1401 (2nd March 1981)

REDA EL AYDUTY & CO. LTD. ACCOUNTANTS & AUDITORS

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 30th. DHUL-HIJJAH 1400 (8th. NOVEMBER 1980)

1399 S.R.	EXPENSES	S.R.	S.R.	1399 S.R.	INCOME	S.R.	S.R.
185,238,285	EXPENSES			278,526,701	INCOME		
261,15,417	Salaries and other staff expenses			1,157,264,628	Net income from foreign exchange transactions and other services		
7,210,314	Director's Fees, Remunerations ... etc				25,801,970		
80,000,000	Service charges				26,518,605		
88,740,314	Provision for bad debts				1,178,618,480		
72,666,167	Depreciation of buildings, furniture ... etc						
10,000,000	Other expenses						
853,688,297	Contribution for AFGHANISTAN MOCARDIN						
1,174,19,480	NET PROFIT FOR THE YEAR						
Of which							
400,000,000	of transfer to Reserve						
44,180,724,879	of balance carried forward Reserve Sheet						

SAUDI ARABIA

Cutting Back the Food-Import Bill

IT IS ESTIMATED that Saudi Arabia imports about 90 percent of its food requirements, and the government expects to spend just under \$1 billion on subsidies this year to stabilize the cost of basic foodstuffs.

Not surprisingly, the third five-year development plan is beginning to turn attention to the rural areas and the water resources needed to expand cultivated land from the present 600,000-hectares to the potential 2 million hectares.

At a recent conference in Dubai, the secretary-general of the Union of Arab Food Industries, Falah Said Jaber, warned the states of the Gulf and the Arabian Peninsula that they should take urgent measures to reduce their dependence on imported foodstuffs. He pointed out that only about 10 percent of cultivatable land in the region was being used, and that crop yields per hectare for wheat, for example, were less than half of that in developed countries.

During the next five years, \$2.4 billion will be spent to increase food production. Of the \$12 billion to be spent on the development of water resources, a considerable proportion will be of direct benefit to the agricultural sector.

At present, Saudi Arabia is one of the few states in the region to grow both wheat and rice, and, according to statistics produced at the recent conference on food strategy in the region, the kingdom covers 46 percent of its needs for meat.

In the past, livestock and dates provided the basic means of survival but, since oil production began, the Bedouin population has decreased dramatically as people left the rural areas to find more amenable and better-paid work in the towns. Grazing land has declined in quality, and little has been done until now to improve the social conditions in the more remote areas.

Beef Production

Mutton is the most popular meat and the kingdom imports



An irrigation canal in Unaiza: Water supply is a priority.



Inspectors visit a farm in southern Saudi Arabia.

about 2 million sheep a year, but under the development plan efforts will be made to boost beef production. A dairy farm at al-Kharj will have 18,000 head of cattle by the end of the year to produce both beef and dairy products. By the end of the five-year plan

in 1985, the kingdom will have 28 dairy farms. Efforts to double the production of poultry farms should mean that 50 percent of demand for eggs and chickens will be met.

The main effort will go into wheat and vegetables. Between 1975 and 1980, wheat production increased by 42 percent, and during the next five years the area of land for wheat cultivation will be increased to 60,000 hectares. Experiments are being made at a number of research stations to find the best varieties of seed for local conditions, and training programs are provided for farmers to use seed and fertilizers effectively.

About 3,500 young Saudis are expected to be trained in agricultural methods in the next five years. Also, following recent discussions with Australia, it is possible that some students will be sent

to that country, which has considerable experience in desert conditions similar to those of Saudi Arabia.

Agricultural development has figured prominently in talks with a number of countries. Finland is to cooperate in the development of forests, fisheries and farmland according to an agreement signed in March. French companies may contribute to farm development and water desalination projects. Denmark is involved in the dairy industry through the Danish Saudi Dairy, one of 46 food manufacturers in the kingdom financed by the Saudi Industrial Development Fund.

Political Risk

However great the efforts of the next five years, it seems unlikely that Saudi Arabia will become self-sufficient in wheat within the next 10 years as its experts are claiming, but it may go a long way toward reducing imports. The Saudis have noted, as have others in the region, that dependence on the outside world for food carries an enormous political risk as well as an economic one, as demonstrated by the U.S. sanctions against Iran after the taking of the hostages.

This in part explains why Saudi Arabia has been generous in aid to North Yemen. An extensive assistance program, which has been running for years, was boosted about two months ago when Saudi Arabia announced an additional \$100-million contribution to North Yemen's 1981 budget.

Saudi Arabia has also agreed to help finance the drilling of 50 artisanal wells and a comprehensive study of rural development needs. It is also a major contributor to the special fund set up by the Arab League heads of state for the decade of development. One of the main targets of the program is to increase food production in potentially highly cultivatable areas like Sudan, the Yemens, Syria and Jordan.

Meanwhile, in Saudi Arabia itself, a National Water Plan has been created to coordinate the work of various authorities. While more desalination plants will be established and projects for recycling wastewater installed, one of the major hopes for agriculture is the discovery of major underground reservoirs in the central and eastern regions, estimated to be sufficient to irrigate 250,000 hectares for the next century.

Meeting the agricultural requirement of nearly 2 billion cubic meters of water a year will not be easy, but if food production is to increase the water simply must be supplied.

—KEN WHITTINGHAM

KEN WHITTINGHAM, who coordinated this survey and wrote most of the articles for it, is a British journalist who has long specialized in the Middle East, both as a writer and an editor.

Mr. Whittingham, who will be coordinating the IHT's upcoming surveys on other Gulf nations, is a former deputy editor of *Arab Month* magazine, and a former news editor of the *Gulf Times* in Qatar. He continues to contribute as a free-lancer to numerous publications on Middle East affairs.

His university studies focused on the Middle East, and he is fluent in Arabic—he has translated five Egyptian plays as well as official Arab documents.

EDMUND O'SULLIVAN is a senior staff writer with the London weekly *Middle East Economic Digest*.

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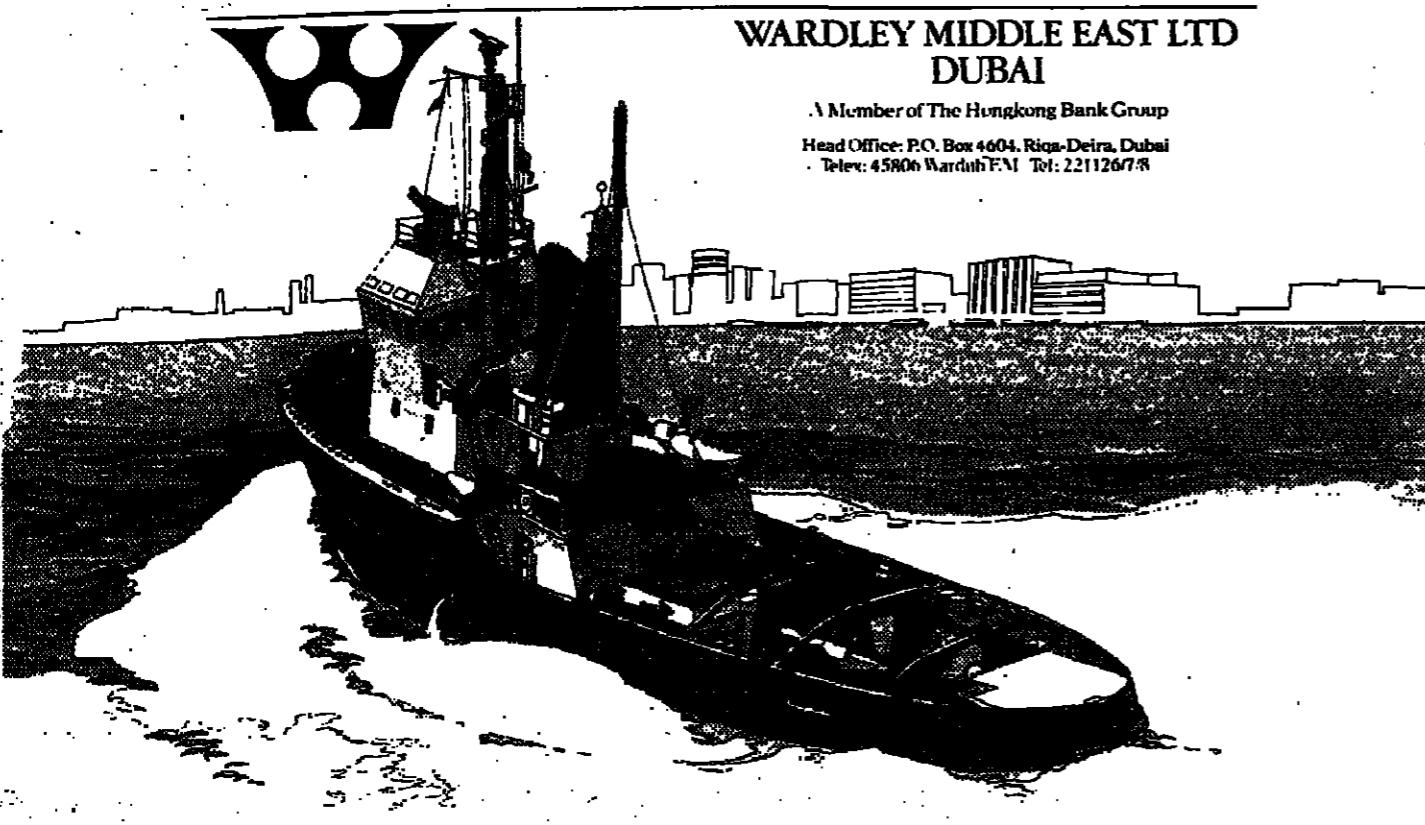
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SAUDI ARABIA

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Balance Sheet as at 31st December 1980

SR

LIABILITIES	
Capital & free reserves.....	235,000,000
Deposits	4,234,385,952
 ASSETS	
Cash funds and balances with banks and correspondents	2,551,473,468
Investments	19,925,000
Loan Advances, etc.	2,849,769,227
Other Assets	171,297,481
 TOTAL ASSETS	5,592,465,176
Customers liabilities for guarantees, letters of credits, etc. (Per Contra)	5,728,045,899
 TOTAL BALANCE SHEET	11,320,511,075
 NET PROFIT	117,579,345

(On December 31st, 1980, 1 SR = U.S. \$-3)

SAUDI CAIRO BANK



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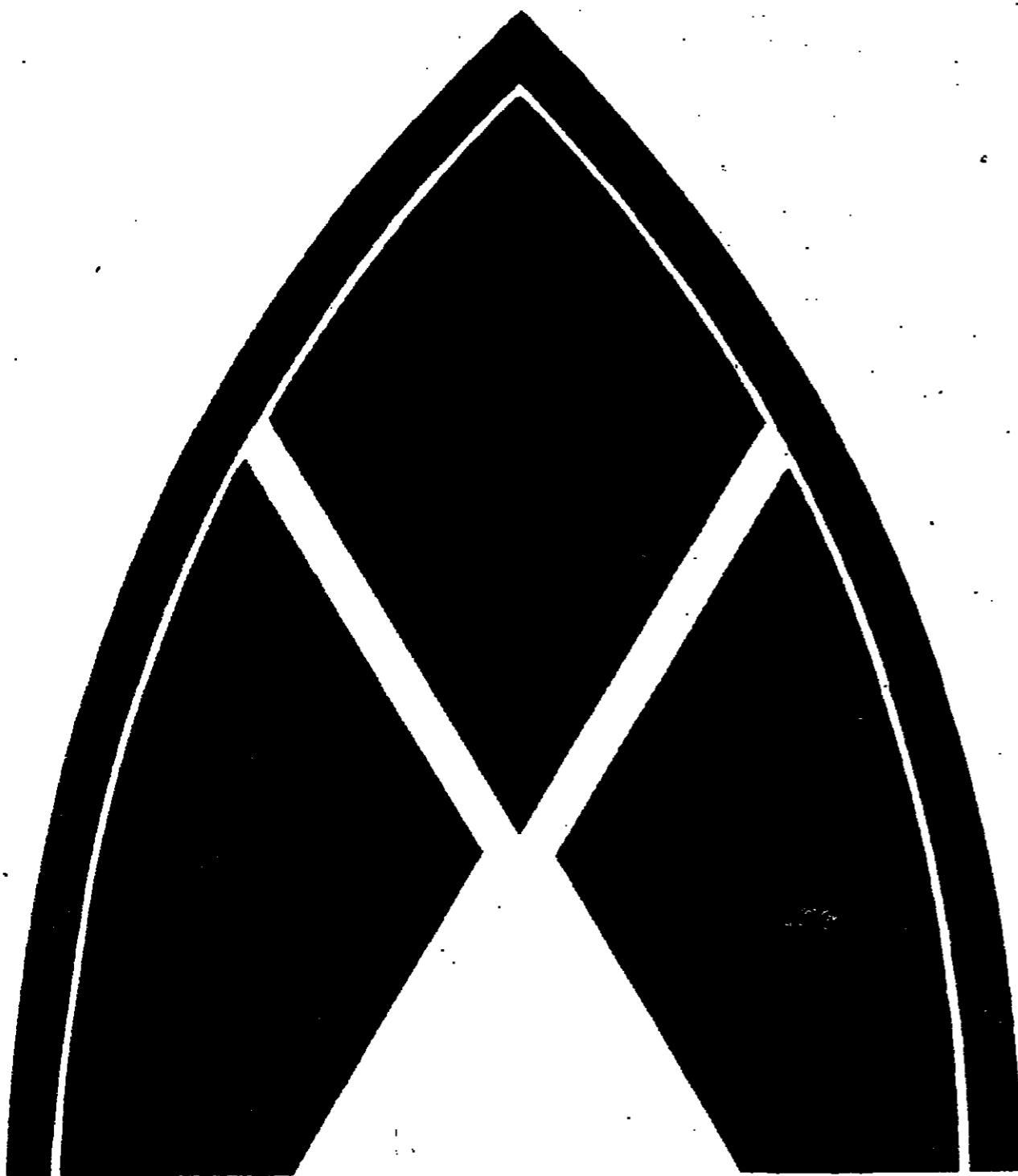
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SAUDI ARABIA

Funds Not Lacking for Islamic Ventures

SAUDI ARABIA'S standing in the Moslem world could hardly be higher than it is today. The success of the kingdom's strategy to become the center of the Islamic movement took its most visible form at the Islamic Conference in Taif in January. Although little was achieved in concrete terms, the political significance of the meeting should not be underestimated.

Saudi television showed the heads of state of every Moslem state, seated on carpets within the Grand Mosque of Mecca, being led in prayer by King Khalid in one of the few occasions he has spoken in public. Probably the most unforgettable scene was the king leading presidents, premiers and monarchs in a circumambulation of the Kaaba — the traditional act of devotion made by every pilgrim to Islam's holiest shrine.

It would be inaccurate to suggest that Islam's resurgence is exclusively or even mainly due to Saudi Arabia's political and economic influence, but assisting the development of pan-Islamic consciousness is one of the key objectives of the kingdom's development strategy.

Saudi Arabia's standing in the Moslem world has come through a combination of its historic role as the guardian of holy places and its new role as a generous donor to countries with substantial Moslem populations.

Oil Organizations

The central structure in the resurgence of Islamic identity is formed by the two organizations grouping oil-producing countries — the Organization for Petroleum Exporting Countries and the Organization for Arab Petroleum Exporting Countries.

Although neither concentrates exclusively on developing an Islamic approach to the

world economic order, they have become vehicles for criticism of the industrialized and essentially non-Islamic — world's priorities. OAPEC has been active in establishing companies with commercial activities in the Middle East. They include the Arab Petroleum Investments Corp., which finances petroleum projects; the United Arab Shipping Co.; the Arab Maritime Petroleum Co., a rather unsuccessful tanker company; and the Bahrain-based Arab Shipbuilding & Repair yard. Saudi Arabia is a major shareholder in all these organizations.

Saudi Arabia is also active in at least 15 significant banking and economic institutions founded in the Moslem world. It is the second-largest contributor to the Kuwait-based Arab Fund for Economic & Social Development, which is modeled on the World Bank, and the biggest backer of the Arab Bank for Economic Development in Africa.

London-Based Bank

The largest aid agency that the kingdom is active in is the Jidda-based Islamic Development Bank (IDB). Founded in 1975 under the auspices of the Islamic Conference Organization, the IDB's objectives are to finance economic and social development both in Islamic countries and in Islamic communities worldwide. The essentially Moslem character of the agency — which is intended to become as important in world economic affairs as the Asian Development Bank — is demonstrated by the fact that loans are in accordance with Islamic law; they are interest-free, and have only low service charges.

Other vehicles for Saudi Arabia's participation in the international economy include the London-based Saudi International Bank, which is 50-percent owned by the Saudi Aramco.

bian Monetary Agency, the remainder of the bank's shares being held by Saudi and international commercial banks. In contrast to the IDB, the SIB follows commercial banking criteria and is active in international loan syndications.

Saudi Arabia's bilateral aid efforts are channeled through the Saudi Fund for Development and the Faisal Islamic Foundation. The former is particularly active in Pakistan, where it has provided low-cost financing for a number of development projects.

The foundation, created in 1976, is possibly the largest national aid agency in the world. About 30 percent of its funds are devoted to overseas projects, and a particular emphasis is placed on schemes with Islamic aspects. For example, the foundation created a 10-million-riyal (\$3-million) fund to pay for graduate studies for Moslem students. The foundation has encouraged technical development, and it set up the Geneva-based Al-Dar'iyah Institute for research into alternative sources of energy.

Saudi Arabia considers that it has a special role to play in educating Moslem clergymen and practitioners of Islamic law. It has three major Islamic universities. One of the reasons for the huge scale of the new Riyadh university campus project — which is being built by a U.S.-French consortium — was Saudi Arabia's plan to accept students from other developing countries, particularly Moslem ones.

Although government support continues to be the most important way that Saudi Arabia promotes Islam, the private sector has been showing a greater willingness to introduce business methods in accordance with Islamic law. Recent examples include the trend toward Islamic banking.

— EDMUND O'SULLIVAN

Abundant Money Can Also Bring Problems

Special to the IHT

SAUDI ARABIA, through its oil wealth, has gained a position and influence in the world that sometimes obscures the fact that it is an enormous developing country, facing many of the same problems as other developing states, but with one headache that is unusual: The kingdom quite simply earns more money than it knows what to do with.

Despite huge expenditures on defense and development projects, as well as prestige ventures, generous aid programs and the like, Saudi leaders just cannot balance the books. Income exceeds expenditure — and, perhaps surprisingly, this raises serious problems.

Then why does Saudi Arabia go on producing such a large quantity of oil? Production currently stands at 10.3 million barrels a day, rather than the preferred 8.5 million, and Planning Minister Sheikh Hisham Nazer has said that, even if production were cut to 5 million barrels a day, Saudi Arabia could easily meet its financial commitments for the five-year development plan (1981-1985) set at \$234 billion.

In fact, it is doubtful whether Saudi Arabia could afford to cut production as low as 5 million barrels, not for financial reasons, but because many of its new industrial projects depend on exploitation of gas associated with oil, which used to be wastefully flared off. Thus production levels of oil have to be sufficient to yield the required volumes of gas.

But on the whole Saudi Arabia does not have to calculate its production levels in accordance with economic need. Since crude oil prices began to increase dramatically in 1979, despite Oil Minister Sheikh Ahmed Zaki Yamani's efforts at moderation, Saudi Arabia's surplus revenues have reached staggering proportions. By the end of the year, the kingdom's foreign assets could be as much as \$150 billion, according to Western estimates.

The nation's oil policy has been clearly identified in the discussions surrounding the recent Organization of Petroleum Exporting Countries conference. When the Iraqi-Iranian border war disrupted those

two countries' oil supplies, Saudi Arabia stepped up production to prevent a drastic shortfall that would have forced prices higher. As world demand has declined in recent months, Saudi Arabia has maintained the higher level of production, creating — deliberately, according to Sheikh Yamani — a glut on the market to keep prices down.

With its vast reserves, Saudi Arabia is in a strong position to control the market, especially since it can cut or raise production without any impact on its domestic budget. Until now, Saudi Arabia has been willing to play this role, especially after the high price rises of 1973-1974, to prevent undue damage to the Western economic system.

The reasons are straightforward. Saudi leaders see their economic future as interdependent with the West's. In return for oil, the West supplies technology, industrial goods and weapons. Moreover, the advanced industrial nations alone are capable of absorbing the vast quantities of surplus petrodollars available for investment, at least in the short term. If the price of oil continues to rise faster than the general rate of inflation, then the increase will be reflected in higher prices of technology and manufactured goods.

Constant Fear

There is a constant fear that, if oil producers become too hawkish, the superpowers might seize the oil fields. But it has always been assumed that Saudi Arabia, in return for its moderation, might reasonably expect not a quid pro quo but at least a sense of understanding from the United States over the Palestinian and Lebanese crises. This understanding has not come, and indeed the Camp David accords and the freezing out of Egypt by other Arab states were a blow to Saudi Arabia.

The Saudi leadership is under domestic and regional pressure to cut production for two reasons.

First, many young intellectuals and administrators say that the best place for the oil is in the ground until the kingdom is able to absorb the revenues. Second,

the problem of building the infrastructure was compounded by the fact that little was done before the mid-1960s. This was true in much of the Gulf region. Before OPEC was formed at the beginning of that decade, oil revenues amounted to less than \$2 a barrel, and the administrative structures necessary for major modernization programs simply did not exist. It was only as OPEC began to make its mark on the oil industry, and as predictions that oil would run out by the end of the 1980s began to circulate, that attitudes toward development changed radically.

The first two development plans up to 1980 concentrated largely on infrastructure; without communications, water, electricity and other basic services, there could be no industrial development. The inevitable fact that towns were first to

benefit from progress created a problem in that the Bedouin and peasants drifted off rural areas into the towns. Agricultural production has been neglected until now, and it will cost a great deal to revitalize it.

Only now is the stage set for a major injection of capital into the industrial projects on which the kingdom's future is staked, to allow full exploitation of natural gas and to create spin-off industries that in turn will open a domestic market, without the pressures of international inflation caused by imports.

Saudi leaders have been criticized for developing too slowly. There are technocrats who argue that, since Saudi Arabia provides a high standard of education for its girls and there is a critical shortage of labor, these girls should be allowed to use their skills in productive jobs, rather than being restricted to socially acceptable functions such as teaching and nursing. There is also widespread criticism of the wealth gap that has been created between members of the ruling family and a privileged elite and other members of the community.

Attack in Mecca

But there are just as many voices criticizing the leadership for developing too quickly and destroying the fabric of this deeply religious traditional society. That was one of the factors behind the attack in 1979 on the Grand Mosque at Mecca, the holiest place of Islam. Coupled with the revolution in Iran, this gave the Saudi leadership much to think about.

The Shah, Mohammed Reza Pahlavi, had moved relentlessly to modernize and industrialize his country without much reference to or concern for the people.

For Saudi Arabia, the problem of maintaining the balance between progress and tradition is complicated by the status of the King as "Guardian of the Holy Places." Saudi Arabia is the historical and spiritual center of the Islamic community and simply cannot abandon the religious and social principles on which it is founded.

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U.S. Oil Well Saga

High Risk and High Stakes At the Rig on Jackass Bay

By Douglas Martin

New York Times Service

JACKASS BAY, La. — This is the biography of an American oil well, one of the 70,000 that likely will be drilled in the United States this year. It is a story played out every day in places as distinct as the jagged hills of Tennessee, the jackrabbit plains of Texas, the boardrooms of Houston and the canyons of Wall Street.

By far more oil and gas wells are drilled in the United States than anywhere else. They are considerably smaller — often one-thousandth the size of the gushers of the Middle East — but they add up to a sizable advantage over countries that produce none of their own oil.

The search for oil involves thousands of people far removed from the oil field roughnecks. It requires the money of businessmen, doctors and dentists; the calculations of tax accountants and the reckoning of geologists, engineers and business consultants. Most of all, the search depends on the willingness of an independent wildcatter to risk a big loss.

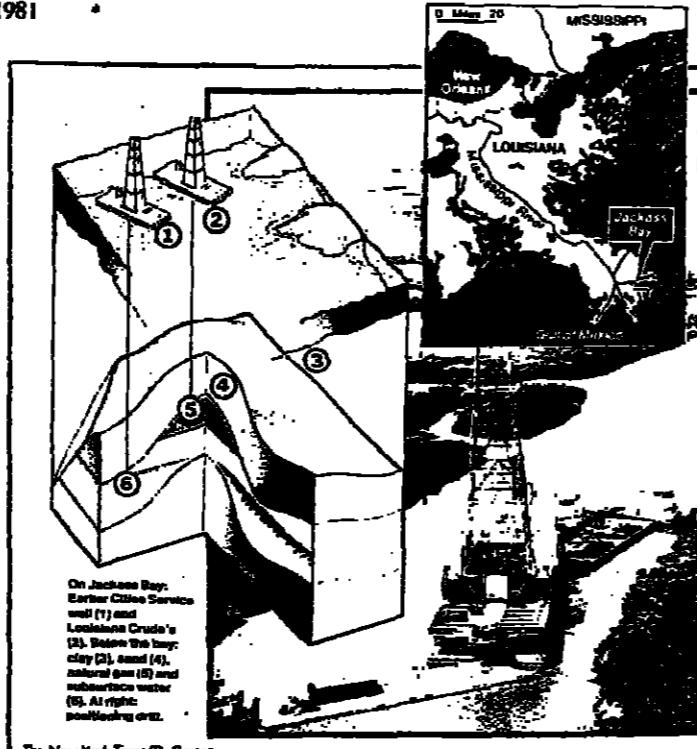
Jack Koch, 60-year-old gambler by instinct andelman by profession, is driving through the spongy air of Plaquemines Parish, La. In the calming tones of the country lawyer he is, the rumpel millionaire tries to describe a business where men become rich by correctly guessing what wealth may lie miles beneath the earth.

* * *

But now Mr. Koch is in a Schlumberger truck that sits on a platform jacked up beside the rig, watching the first logs of electronic and radioactive tests.

Louisiana Crude, a company Mr. Koch heads, bought the lease for \$150,000 on Sept. 10. Then came the money-raising. From extravagant investor parties at the Plaza Hotel in New York City to opulent barbecues on West Texas ranches, oil seeks money, and vice versa. In New Orleans, some oil tycoons reward their mistresses with shares in oil wells, rather than with money or mink.

Money is raised for drilling wells in a dizzying variety of forms, including syndications,



public offerings and private placements. This is no game for those not prepared to lose their investment or who cannot use the tax shelter that drilling programs can provide. Generally, if an investor is not in a 50-percent tax bracket he is playing the wrong game.

For the Jackass Bay property, Mr. Koch gathered all but a small fraction of the drilling funds from other independent oilmen. The game is to reduce risk by spreading it as much as possible. "I'd rather have part of eight wells than 100 percent of one," Mr. Koch said.

Louisiana Crude always tries to limit its participation in a drilling venture to a quarter interest at most.

The custom is for investors to pay one-third of the costs relating to their proportion of drilling a particular well, in return for one-fourth of the revenue. The company that puts the deal together, in this case Louisiana Crude, gets the revenue from the difference between one-third and one-quarter as a standard payment.

This is partly because the operating company usually has to come up with one-fourth of the costs for "completing" and operating a well, if quantities of oil and gas worthy of production are found. Only in the initial drilling, albeit the riskiest part of the operation, does it escape.

In addition, although the notes carry a seven-year maturity, they

and gas investment sometimes make it advisable for Louisiana Crude to pay part of the initial costs in its own deal, as well as in the deals of other companies. Each Sept. 1, Mr. Koch reviews his tax situation to determine if he needs to "put money straight up" before Dec. 31.

Mr. Koch originally hoped to own one-fourth of the Jackass Bay well through Louisiana Crude and Koch Energy Corp., a family company of which he owns a third. As recently as three weeks before the well was tested, however, he still owned half. Then, in order to satisfy some latecomers, he had to give up more than he intended, ending up with only a 9.25-percent working interest.

Other owners are Bennett Petroleum, Denver; Seaboard Oil and Gas, Santa Fe Springs, Calif.; Beau Coup Oil and Gas, New Orleans; and J. William Sherar, a New Orleans businessman. The state and several individuals hold royalty interests, which must be paid out before working-interest partners receive anything.

The time is now past midnight, and a full moon has pushed its way through the clouds. Tests are continuing and a guarded optimism is building. "I'd like to have a piece of this well," says a geologist on

(Continued on Page 14, Col. 7)

Bond Traders Debate Dollar's Durability

By William Ellington

AP-Dow Jones

LONDON — Opinion among many international bond analysts is shifting toward the view that U.S. interest rates will decline materially over the rest of the year.

But market specialists differ in their assessment of the consequences of falling interest rates for the dollar in the foreign exchange market. How the dollar performs is, of course, crucial for those

EUROBONDS

investors who keep their accounts in other currencies. Many investment advisors worry more about the performance of a currency than they do about bond prices or interest-rate levels.

Armin Mattle, manager of Union Bank of Switzerland (Securities), said Swiss portfolio managers are generally optimistic about the dollar and have been stepping up their purchases of international dollar bonds to lock in high interest rates.

Other bankers cited Soviet pressure on Poland, instability in the Middle East and the Soviet intervention in Afghanistan as having a stronger influence on Swiss thinking about the dollar than economic or monetary trends. These bankers added that the emergence of what are perceived as weak governments in most of the democracies of Europe and the forceful image of the Reagan administration are also helping the dollar.

For years, the Swiss had nothing but bad things to say about the

dollar, now it has all changed," a London banker said.

A different view is taken by Phillips and Drew, a London brokerage firm. The firm predicts that by next June, the dollar will have declined to between 1.85 and 1.95 Deutsche marks from the present level of around 2.40 DM.

Furthermore, the firm has produced a series of total return calculations that suggest dollar bonds will be one of the worst investments over the next 12 months. These calculations combine projected currency gains, accrued interest and capital gains arising from anticipated changes in bond prices. The projections show that a dollar-based investor may be able to achieve a total return of about 50 percent by next June by investing in Eurobonds denominated in Deutsche marks.

In contrast, a dollar investor would get a return only 13 percent if he stayed in his own currency, the estimates show.

Phillips and Drew said that its total return calculations should be used mainly as a guide to assist analysis rather than as solid projections. Indeed, a year ago, the firm was forecasting that the dollar would decline to between 1.66 and 1.74 DM this month and that three-month dollar interest rates would drop to around 7 percent. These proved to be far off the mark.

Although market sentiment has improved, bankers said investors are resisting offerings with yields of less than 15 percent. At the same time, a large number of borrowers are reportedly willing to

float issues if they can obtain yields below 15 percent.

This is led to something of a standstill, although four fixed-rate issues were scheduled for offering this week.

The Eurobond market's first coupon issue proved to be popular even though the yield came to only 14.14 percent. Managed by Credit Suisse First Boston, the \$75 million, three-year issue of Pepsico was priced at 97.25.

In aftermarket trading, the issue was quoted at 97 or close to its price.

Although institutional investors are the main purchasers of zero coupon bonds in the United States, syndicate sources said the Pepsico's international offering attracted considerable retail investment. Bankers said retail investors liked the short maturity, which greatly reduces risk of capital loss.

General Mills reportedly is considering a similar issue.

Meanwhile, the province of Nova Scotia is floating a \$75 million, 10-year bond issue at par bearing 15 percent through a syndicate led by Union Bank of Switzerland (Securities).

Others issues in the market include a \$100 million, six-year note issue of General Motors Acceptance Corp. at par bearing 14.75 percent via Chemical Bank; a \$65 million, 12-year issue of the European Economic Community at 99 bearing 14.75 percent to yield 14.93 percent via Morgan Guaranty; and a \$75 million, three-year issue of Electricite de France at 95.25 bearing 13 percent to yield

Fed Fends Off Rebellion by Banks

Institutions Push for Edge Over Money Market Funds

By Robert A. Bennett

New York Times Service

NEW YORK — For years, bank-holding companies and their large banks have been quietly obedient to the Federal Reserve Board, which has enjoyed largely unquestioned adherence to its regulations through its powerful grip on the banking industry.

Big banks must obtain the Fed's permission for practically any new venture or product — even to open or close a small branch. In addition, the Fed rules with a certain moral authority that it gets from just being the Fed — it commands awe and deference.

Most bankers, therefore, have been understandably reluctant to take on the Federal Reserve. Today, however, the Fed has a rebellion on its hands. The banks are being punished by competition from money market mutual funds.

And on Wall Street, such firms as American Express and Prudential have formed alliances with leading brokerage firms, further threatening the banks' competitive position.

Many bankers sense that they are in a last-ditch effort to meet the competition. Many complain that the Fed has failed to stand up for them, and they say they are willing to risk the antagonism of their regulators.

Even banks that have never rocked the boat are taking bold initiatives. In the most notable instance, Manufacturers Hanover notes, who said he thinks the Fed will allow the issue to avoid.

Despite such hopes, bankers cannot be certain of what the Fed might do. "You never know," William C. Butcher, chairman of Chase Manhattan, said.

And grounds exist for apprehension. At a bankers' meeting in Geneva earlier this month, Paul A. Volcker, chairman of the Federal Reserve Board, did not comment specifically on the Manufacturers Hanover notes, but he said that high-yielding investments offered by banks and bank holding companies may be reviewed to see if they do not violate Federal Reserve regulations because they will

be obligations of the holding company, not of the banks themselves.

Last year, Citicorp tried to issue a floating-rate note that would have been redeemable after 30 months, but the Fed quashed it.

'Never Know'

"It's a very well-designed piece of paper," Donald S. Howard, executive vice president of Citicorp, said of the Manufacturers Hanover notes, who said he thinks the Fed will allow the issue to avoid.

Despite such hopes, bankers cannot be certain of what the Fed might do. "You never know," William C. Butcher, chairman of Chase Manhattan, said.

And grounds exist for apprehension. At a bankers' meeting in Geneva earlier this month, Paul A. Volcker, chairman of the Federal Reserve Board, did not comment specifically on the Manufacturers Hanover notes, but he said that high-yielding investments offered by banks and bank holding companies may be reviewed to see if they do not violate Federal Reserve regulations because they will

Hanover, which usually avoids such controversies, has indicated that it will take the Fed to court if the Fed says no.

"There's a new militancy as a result of competitive pressure," said Harry E. Ekblom, chairman of European American Bank and Trust.

For the Fed, the rebellion comes at a time when it has its hands full trying to get the money supply under control.

The major sore point is the limit on the amount of interest banks may pay on consumer deposits, and the reluctance of regulatory authorities to remove it quickly.

The Fed is not the sole arbiter on that issue, but the bankers complain that the Fed has not taken the lead or strongly advocated a rapid phase-out of the controls.

Last year, Congress established the Depository Institution Deregulation Committee, known by bankers as "Didick," which has the task of phasing out Regulation Q by 1986.

But that is not nearly soon enough for the bankers. For its part, the Fed says that it is not insensitive to the bankers' problems, but adds that it has laws to follow and that it must take into consideration.

(Continued on Page 14, Col. 4)

Heat Rising in EEC-U.S. Trade Disputes

By Clyde H. Farnsworth

New York Times Service

WASHINGTON — The United States and the EEC are trying to deal with a sudden rash of trade disputes erupting from long-running economic problems on both sides of the Atlantic that have sharpened competition for exports and jobs.

These notes, issued in \$1,000 denominations, are designed to compete head-on with money market mutual funds. The rate of interest will be adjusted weekly in line with the rates that big companies charge on loans to each other. Last week the yield on the notes was about 17 percent, and one analyst has calculated that, over the last year, the yield on the notes would have been between one-half and a full percentage point higher than that on most money market mutual funds.

Bankers say the notes technically do not violate Federal Reserve regulations because they will

sales in the U.S. market have fallen off sharply in recent months and because their own economies are not strong enough to absorb their production without substantial layoffs.

While the skirmishing is under way in steel, the Reagan administration has been pressing the EEC to cut back its subsidies to agricultural exports, which help the European farmers undercut prices of U.S. grain and other farm products in world markets. But France's new Socialist president, Francois Mitterrand, campaigned on promises to provide even great support for French farmers, indicating that the United States and France may well be on a collision course in at least this one sector.

Meanwhile, the Europeans are threatening to levy an import tax on U.S. soybean oil, a move that could anger U.S. farmers.

CURRENCY RATES

Interbank exchange rates for June 12, 1981, excluding bank service charges.

	S	J	D.M.	F.F.	N.L.	Gdr.	B.F.	S.F.	D.K.
Amsterdam	2.948	5.205	111.235	45.79	0.2237	0.817	126.80	35.55	
Brussels (a)	39.165	76.485	16.335	4.8165	1.28	14.043	18.3935	5.1925	
Frankfurt	2.392	4.476	41.75	2.005	0.892	0.3177	114.420	31.77	
London (b)	15.205	29.025	4.685	2.205	0.2337	0.2172	14.2175	4.2175	
Paris	11.225	22.020	49.25	2.025	0.2165	0.1745	30.845	8.845	
New York	5.202	10.562	0.4179	0.175	0.0877	0.2756	0.2556	0.478	0.1277
Zurich	5.707	11.142	227.44	10.245	0.2156	0.2156	14.576	3.576	7.576
ECU	2.075	4.005	87.49	3.645	0.1748	0.1748	3.5172	0.7223	2.1891

Dollar Values

Starting: 1.265 (1st L.)

(a) Commercial franc. (b) Amounts needed to buy one pound. (*) Units of 1,000.

CARBONIT GROUP APPOINTMENT

The Carbonit Group of Companies is pleased to announce the appointment of Teunis Zuurmond as President and Chief Executive Officer.

Mr. Zuurmond (10) was formerly Vice-President of Finance and Administration and succeeds the retiring President, Mr. F. J. Pleman.

The Carbonit Group, founded in 1937, with principal offices in Amsterdam, Houston and Curacao, is active in oil exploration, refining and the marketing of petroleum products and fertilizers.

This announcement appears as a matter of record only.

Saudis, Venezuelans Hold Top-Level Talks on Oil

Reuters

GENEVA — Saudi Arabia and Venezuela discussed oil prices and the market situation in top-level talks here Sunday. Venezuelan Energy Minister Humberto Calderon Berti said.

He declined to say whether the possibility of production cuts had been discussed. Saudi Arabia has declined to join an OPEC majority in cutting production and trying to remove a glut on the world oil market.

King's Brother, Sheikh Yamani Meet Herrera

Venezuelan Foreign Minister Jose Alberto Zambrano Velasco accompanied President Luis Herrera Campins to the one-hour meeting at the Geneva home of Saudi Arabia's King Khalid.

'Open Discussion'

The Saudi oil minister, Sheikh Ahmed Zaki Yamani, and the king's brother, Prince Sultan, also

took part in an "open discussion" between the two governments, Mr. Calderon Berti told reporters.

Asked to comment on Venezuela's recent decision to reduce its oil export prices, the minister said the situation still depended on Saudi Arabia.

Mr. Calderon Berti said he planned to take part in a meeting in Geneva on Wednesday and

Thursday of the Organization of Oil Exporting Countries long-term strategy committee headed by Sheikh Yamani.

Price Increases

OPEC has formed the panel mainly to seek ways of introducing gradual price increases that would not lead to economic recession in industrialized producing countries.

The Venezuelan minister said he would leave Geneva Monday for a two-day visit to Poland and talks with Premier Wojciech Jaruzelski and other ministers on the possibility of oil sales.

Oil Supplies

The two countries already have commercial dealings and Venezuela is prepared to discuss the possibility of supplying Poland with oil, he added.

The Saudi-Venezuelan talks also covered cooperation with developing countries and the North-South heads of state summit scheduled to take place in Mexico in October, Mr. Calderon Berti said.

English Channel Collision

United Press International

PORTRSMOUTH, England — The 72,000-ton bulk carrier Titan collided with another ship in the English Channel and reportedly was taking on water. There were no reports of injuries among the crew of the Japanese-built and Liberia-registered Titan, and damage aboard the other ship — the Talavera, of undetermined nationality — was minor after the crash late Saturday.

Banks Spurred by Growing Competition

(Continued from Page 13)
ation the soundness of the entire financial system.

The primary, perhaps the exclusive, reason for Regulation Q is to protect the thrift industry, savings banks and savings and loan associations. High interest rates have put a good many savings institutions in precarious positions. If Regulation Q were eliminated, all depository institutions had to pay market rates on practically all their funds, the problems of the thrifts would be dangerously compounded.

Most thrifts, therefore, oppose rapid easing of Regulation Q, and their case has been championed vigorously by Richard T. Pratt, chairman of the Federal Home Loan Bank Board and member of Didick.

Bankers argue, however, that the money is flowing out of depository institutions anyway, and that in the process the longer-term interests of the banks are being placed in jeopardy.

The next meeting of the deregulation committee, to be held on June 25, is expected to be critical.

No one expects Regulation Q to be dropped immediately, but hopes are running high that the regulations will be substantially eased.

Meanwhile, to many bankers the situation is maddening. Last year, for example, Chauncey E. Schmidt, chairman of the Bank of California, was told by the manager of the bank's Modesto branch that in one day four "old-line" customers each had withdrawn \$50,000 from their checking accounts to reinvest them in money market mutual funds.

Accounts in London

The bank spent the next four months devising a plan to legally circumvent the Fed's interest-rate restraints. The answer it came up with was to establish checking accounts for its West Coast customers at its London branch. Deposits in foreign branches are not subject to Regulation Q.

On May 6, the bank announced its program and more than 200 potential customers jammed into its Beverly Hills office alone. But the Fed held a meeting that morning and decided to stop the plan. John Balles, chairman of the Federal Reserve Bank of San Francisco, was asked to give the news to Mr. Schmidt.

Mr. Balles asked Mr. Schmidt to suspend the program. Mr. Schmidt said, "Mr. Schmidt refused to comply immediately. He asked to speak directly with Mr. Volcker. I spoke with Volcker on the phone and he, too, just asked me to suspend the plan." Mr. Schmidt related. But the banker persisted and he arranged to meet with Mr. Volcker in Washington the next day, Friday.

At that meeting, at 3:30 P.M., "I went through a long dissertation of the problems the banking industry is facing," Mr. Schmidt said. "But the Fed still said it wanted us to stop the program. We agreed late Friday night to suspend it until Tuesday, when our board met. After that meeting, we went back and told the Fed that we would raise the minimum initial investment to \$25,000, from the \$10,000 under the original plan.

"The Fed Board met Wednesday morning and the chairman called me and said they had amended the regulations to formally forbid us from going ahead." The board resorted to emergency powers and waived the 30-day notice period customarily provided before changes in regulations are put into effect. The plan, at least for deposits of less than \$100,000, was dead.

The Bank of California went a step further than most other banks, but it was not alone in challenging the Fed.

In February, for example, the Chase Manhattan Bank discovered a loophole under which it could pay up to \$300 in so-called "finder's fees" for certain deposits. Under the Fed's rules, banks may pay finder's fees of only \$10 on deposits up to \$3,000, and \$20 on deposits above that amount.

Chase, however, noticed that a small savings bank in the New

York area had devised a plan in which it broke large CD's into multiple units, and paid a \$20 fee on each unit. Thus, the total finder's fee could be as high as \$800.

"We pointed out the loophole to the Fed, and they said nothing," said Patricia C. Coate, a Chase vice president. But Chase did not tell the Fed that it was planning a similar program. Within days after Chase began running large advertisements offering the large finder's fees, the Fed reacted and asked the bank to stop the program.

Last year, the Fed swiftly quashed a plan under which a subsidiary of Citicorp, which has long had a reputation for innovation and aggressiveness, offered a bold program in the Washington-Maryland area. It offered to pay 8.45 percent interest on "advance payments" on credit cards. These payments were similar to savings accounts, on which the Federal Reserve limits the interest rate to 5.4 percent.

In addition to paying interest on quasi-deposits, holders of Citicorp's Choice credit card would have been offered lines of credit of up to \$10,000.

"What we see," said Henry Wallach, a Federal Reserve Board governor, "is that the high level of interest rates is stimulating ingenuity — that is not surprising."

Said Nancy Teeter, another Fed governor: "I don't find this very different than in the past. What is different is that this time it's aimed at consumer issues." In the past, Mrs. Teeter said, banks had put pressure on the Fed mainly on matters related to their business with other banks and corporations.

Most bankers have some sympathy for the Fed, but there seems to be a widespread feeling that it should take a more positive initiative in dealing with the banking industry's longer-term problems.

"The Fed wears many hats," says Edward G. Nelson, president of the Tennessee Valley Bancorporation in Nashville. "Its concern about monetary policy almost always overshadows its regulatory function."

Thus, much of the antagonism toward the Fed has been that it has not been a strong enough advocate for the banking industry.

This concern, which is shared by practically all large banks, has been dramatically heightened in recent weeks following the announcements that Prudential In-

surance was planning to acquire Bachs Halsey Smart Shields, and that American Express was planning to acquire Shearson Loeb Rhoades.

Bankers fear that competition from such companies will become more formidable than ever as a result of the additional strength and the broader range of services that will be possible as a result of the proposed mergers.

Aside from the interest-rate question, bankers are frustrated with the slowness of the Federal Reserve (and Congress) to give them the powers they need to compete against the Prudential and the American Express.

"Banks must be able to compete on a broad range of products," says Richard J. Shannon III, president of Security Pacific. Among the powers he would like to have are the ability to underwrite corporate securities, to act as real estate advisers and brokers, to underwrite insurance and act as insurance brokers, and to provide a wide range of investment-combining services.

"The day is long gone," he said, "when we could eat a good return for shareholders out of a simple banking business."

Treasury Studies Reagan Tax Plan

New York Times Service

WASHINGTON — The Treasury's senior tax official, Norman B. Ture, says the department is re-examining the administration's proposal for business tax relief to see whether it might give "substantial" subsidies if enacted.

Mr. Ture, the undersecretary for tax and economic policy, was responding to charges by Democrats on the House Ways and Means Committee that the administration's proposal for more liberal depreciation might give a company a saving for a particular asset in excess of the asset's cost.

Mr. Ture said at a news briefing Friday that the administration had no intention of giving cost recovery in excess of 100 percent. He said the Treasury was making a "rigorous examination" of its proposal to evaluate the complaint.

Asked if the Treasury would revise the proposal if it found recovery of more than 100 percent, Mr. Ture said only if the difference was "substantial," which he refused to define.

High Risk and High Stakes At the Rig on Jackass Bay

(Continued from Page 13)

hand to render an independent opinion. Mr. Koch allows himself to say the test appears "interesting."

Taking a last look at the derrick — pushing 125 feet above the surface of the rig and bathed in searchlights — Mr. Koch goes inside to join a card game. He is fond of saying that the search for oil is more like blackjack than craps, because blackjack players work from a steadily increasing base of knowledge, while craps is a game of luck. "Gambling is pure odds. Speculation involves the elimination of risk."

From the time a lease is judged attractive enough to consider, as much risk as possible is eliminated. Independent consultants examine the proffered lease and the theory behind it and come up with a disinterested opinion. Then, as the drilling of the well progresses, every piece of available evidence becomes "a tool," in oil field parlance.

The nearby producing well, drilled by Cities Service in 1970, is the most significant tool. Louisiana Crude bought the well on the thought that Cities Service and Burk Royalty had produced the well too fast and failed to drain 286 acres of the assumed 300-acre pool of gas and oil.

An abandoned Shell well about 1,000 feet away is a useful tool because of the sands it encountered. Other tools are big oil fields to the north and south, each of which has produced more than 50 million barrels. The knowledge of a geological fault running through the area is helpful, as is the assumption that "the stumble factor," an industry term denoting the chances of just happening on a discov-

ery, is large in Plaquemines Parish. The tests go forward to ever greater degrees of certainty. First the logs. Then the "jug" test — pushing canisters down the hole and seeing if oil and gas flow into them; chunks of rock are then taken and flown to laboratories for analysis. Finally a "dip meter" reading is taken, a process that gives an idea of the magnitude and shape of the reservoir.

Morning has come to Jackass Bay, and swamp birds are becoming noisy. The "jug" test is being completed, more than successfully. A flame, powered by natural gas taken from 9,300 feet in the ground, dances nine feet in the air. A plastic container is filling with a liquid that smells like the stuff that lubricates a car's engine.

"It's conclusive now," Mr. Koch says. "We have a well."

"What we did today was commit to spending \$300,000," Mr. Koch says as he drives back toward New Orleans. From the rig, he has already called his partners to tell them of their good fortune. Tonight he will nibble lobster mouse party, and soon the rig in Jackass Bay will be gone. First it will be replaced by a smaller rig, and then by a complicated system of valves called a "Christmas tree."

Some of the decisions still to be made are pleasant indeed — for instance, should the well first be set up to produce price-controlled gas or decontrolled oil? In either case, he says, the economics look good.

In June, Mr. Koch will learn that production tests conducted on the smaller rig indicate that the well will produce 1.5 million cubic feet of gas a day.

Gold Options (prices in \$/oz.)

Price	Aug.	Nov.	Open for
470	21.00-22.00		Feb. 22
500	14.00-16.00	34.00-37.00	start on
510	7.00-9.00	24.00-27.00	Aug. 3
520	4.00-6.00	14.00-19.00	7/6/
530	2.00-3.00	12.00-15.00	

Gold Options (prices in \$/oz.)

Source: Commodity Futures Trading Commission

Henry S. Miller Companies Realtors®

2001 Bryan Tower/

Dallas, Texas 75201

Henry S. Miller Companies Realtors®

Bleacher Bums Foresee A Long, Lonely Summer

By George Vecsey
New York Times Service

CHICAGO — Mark Didler new there was a baseball strike, but he had to come to Wrigley Field just the same. He has been walking to the ballpark since he was 6 years old, 14 years ago, and he couldn't let a strike keep him away.

"It's a little bit of history, don't you think?" he said Friday. "The players have never gone out during a season before. I got here around 10 o'clock, and the flags were flying from the scoreboard, the way they do when there's a game. The sun was out, it was the best weather we've had in a long time, and the Cubs have won five out of six. What a time for a strike."

His feet propelled him by instinct through an unguarded portal, and he found the ramp that leads to the left-field bleachers. He is a student at Winona State College in Minnesota, but he is also a Bleacher Bum, the most rabid fan of Cub fans.

Lonely Bum

It was almost noon. On any normal home date, the Cub would have been taking batting practice, and the Bleacher Bums would have been daubing the first handfuls of suntan lotion on their pale Middle West bodies and pouring the first cupful of beer down their parched

last-place gullets. But Mark Didler was the only Bum in the ballpark.

"I can't imagine a summer without baseball," he said. "I go to most of the games here and a lot of the games at Comiskey Park, too. It's my way of relaxing between semesters at college. No baseball? It's one of the last things you could count on. What will people do this summer?"

Still, Didler detected some perspective on the strike, with little rhetoric about this being a national calamity. He recalled how the television announced Jack Brickhouse, who seemingly has been openly cheering for the Cubs since the days of Tinker, Evers and Chance, had noted that sanitation strikes hurt people more than the absence of ball games.

Monologue for Wrigley

But at noon Friday on the North Side of Chicago, the summer loomed bleak, even though the ivy on the brick walls and the grassy field was lush and green.

"I wonder what Ernie Banks is saying right now," Mark Didler mused.

When Banks was the resident hero of the North Side, he had a monologue about playing in Wrigley Field. Every Bum can recite it like a church litany: "It's a beautiful day for a ball game here in the

friendly confines of Wrigley Field. The only day game in the major leagues. Let's play two."

Instead of being the site of the only day game Friday, Wrigley Field became the first ballpark hit by the strike. The proprietors of the Cubby Bear Inn at Clark and Addison would sell no Cubby Bear Pizza Friday. No red hots at the ballpark. Vendors and ushers and security guards had already left as Mark Didler soaked up some sun and sighed: "I bet a lot of people will go on unemployment because of this. The players make enough money. They won't be hurt. But I can see their point, too. My father says, 'Those guys are overpaid. What are they striking about?' But the way I see it, the owners are trying to take something away from the players. You can't let people do that."

Under the stands, in a cramped clubhouse befitting the Cubs' station in the National League, the players were cleaning out their lockers, wearing jeans and sneakers and looking like transient young singles moving on to the next town. On this most ragtag and insecure team, many of them stuffed gear into duffel bags with "Springfield" and "Wichita" and "Iowa" stenciled on them. Bill Buckner, last year's batting champion, stashed his gear in his old Dodger bag.

"Anybody want my itinerary?" asked Mike Tyson, a reserve infielder, who waddled next week's travel plans and slipped them into a basket.

Busiest Cub

The busiest Cub was Tim Blackwell, a catcher who recently lost his starting position and who earlier was elected ("railroaded, really") player representative. Blackwell, once released by the Montreal Expos, is one of the players who earn less than the average salary of about \$175,000.

Blackwell said: "We're in the entertainment business, and we're finally making the money we're not worth, and now they want to cut back on us."

He told his teammates to keep calling him for news, adding: "I'll be painting my apartment, but my phone is within easy reach."

The players seemed relaxed — neither jaunty nor militant about the strike. Blackwell said he was a little concerned about what fans might think.

"From what I see on television and in the newspapers, the majority of fans don't understand the issue. They think we're asking for more money, but we're not."

Mark Didler understood the issue, but that didn't make him feel better. His biorhythms told him there should have been fans congregating on Waveland Avenue and fighting for batting-practice home runs.

Attacking with an assortment of punishing punches and jabs, Hagler kept his starting position Saturday night by laboring Vito Antufermo, a former champion, for four rounds. He was awarded a technical knockout when Antufermo, bleeding profusely from facial cuts, failed to answer the bell for round five.

The referee, Davey Pearl, said that Antufermo's managers stopped the fight. "I thought the fight could have continued," Pearl said later.

Hagler, in a postfight press conference, said: "I wasn't looking to cut Antufermo up. I was only looking to win. All I'm looking for is to show the people I'm a real champion and I'm going to be a champion for a long time."



Blood trickles down the face of Vito Antufermo (left) after he lost a middleweight championship fight to Marvin Hagler in Boston. Antufermo was



beaten on a TKO in the 5th round. At right, Larry Holmes pounds Leon Spinks against the ropes in Detroit en route to retaining his WBC heavyweight title.

Baseball Owners Let Others Do Talking

New York Times Service

NEW YORK — It has become apparent that there is no rush among baseball owners to get any more directly involved in the dispute with the players than they were before the strike began.

The owners, for example, are to meet in Kansas City on June 24. The subject of the meeting: the major league broadcasting agreement. The American League held a meeting in Chicago last Thursday. The subject: the 1982 schedule.

"Our man who was there tells me six or seven owners were there [on Thursday] and not a word was mentioned about labor or anything but the schedule," said Peter Bava, president of the Toronto Blue Jays.

When labor negotiations resume, most likely on Tuesday, Marvin Miller, the players' union chief, will not be at the bargaining table. He has turned over negotiating chores to players who hold elected positions in the Players Association.

Dissident Owners

Some people wondered if the two sides could have a better chance at making progress if Ray Grebe, Miller's management counterpart, made a similar move by stepping out of the talks and turning over the responsibilities to some owners.

There are, in fact, some dissident owners who view Grebe as an obstacle to a settlement, but they are not in the majority. On the contrary, a number of clubs have sent Telex messages around the league stating their support of the position taken by Grebe and the Player Relations Committee, the owners' labor arm.

The PRC has a six-man board of directors — Ed Fitzgerald of Milwaukee, Clark Griffith of Minnesota and Joe Burke of Kansas City from the American League and Dan Galbreath of Pittsburgh, Bob Howsam of Cincinnati and John McHale of Montreal from the National League. None of these owners attend negotiating sessions but they meet regularly during negotiations with the bargaining team, which is made up of Grebe, the two league presidents and three lawyers.

Who Should Participate?

Some players, as well as some of the dissident owners, feel more could be accomplished if at least some owners sat at the bargaining table. Bava disagreed.

"The owners are constantly told if they have any suggestions or comments they should get in touch with Ray and the PRC," he said. "Having 26 owners in a negotiating room wouldn't work. Miller would have everyone believe this is

the case."

He added: "It's not music to his ears. Only last fall he was described as 'the anonymous star' of the NFL, although he was on his way to a No. 1 ranking among NFL passers, and his Cleveland Browns were about to break the Pittsburgh-Houston lock on the AFC Central title.

Most folks in that spot would be trying to capitalize on the acclaim, Not Sipe.

"I take my private life seriously," said Sipe, 31, comfortably unrecognized as he sat in the late afternoon at a seaside restaurant. "That's why we're meeting here and not at my house."

He does not want intrusions. San Diego, his birthplace and year-around home until his graduation from San Diego State, is now his offseason retreat. The quarterback hereabouts is Dan Fouts. That suits Sipe fine.

"San Diego is my home," he said. "I can do what I want when I want, and not be distracted by fans and attention. I suffer with that during the football season."

It is a price he has to pay and he will pay it — but only in Cleveland.

Fascinating Game

"I have a responsibility to Cleveland," he said. "It's primarily a blue-collar town and it needs to identify with sports teams and sports personalities. I try to give myself and still maintain my sanity. It's getting tougher, but it's an

occupational hazard. Going out to dinner with my wife there is getting to be next to impossible, but I understand it's the nature of the profession."

He enjoys both success and anonymity, but they no more go hand-in-hand than failure and fame. He is, he said, caught between a rock and a hard place.

"I am completely fascinated with the game of professional football," he said. "I have to pay a price, but I'm not willing to give it up."

When he can, he gets away, either to his five-acre hideaway here or his ski retreat in Utah.

He has shunned commercials and endorsements, even in Cleveland. He has done none. Zero.

"I'd be hypocritical to say I intend to keep it that way," he said. "Because of my increased fame, there's no place in the Cleveland area I can go without being recognized. I might as well take on some things in Cleveland. But there's a good chance you'll never see my face on a billboard in San Diego."

What is amazing is that Sipe is able to maintain anonymity in an area where he was a star during the

Hagler and Holmes Batter Opponents to Retain Titles

Antufermo Surrenders After 4

By Bart Barnes
Washington Post Service

BOSTON — Marvin Hagler kept his world middleweight title Saturday night by laboring Vito Antufermo, a former champion, for four rounds. He was awarded a technical knockout when Antufermo, bleeding profusely from facial cuts, failed to answer the bell for round five.

The referee, Davey Pearl, said that Antufermo's managers stopped the fight. "I thought the fight could have continued," Pearl said later.

Hagler, in a postfight press conference, said: "I wasn't looking to cut Antufermo up. I was only looking to win. All I'm looking for is to show the people I'm a real champion and I'm going to be a champion for a long time."

Patient Fighter

Hagler, the only champion to be recognized by both the World Boxing Association and the World Boxing Council, has developed a reputation as a cool, calculating and patient fighter. It showed in his handling of the man who fought him to a draw in November, when Antufermo was champion.

Attacking with an assortment of punishing punches and jabs, Hagler won every one of the four rounds on Pearl's score card. "I scored it a shutout for Hagler," Pearl said.

Antufermo, who had had chronic problems with cuts in fights in recent years, began bleeding profusely 30 seconds into the first round. Pearl said later that the cut was caused by a head butt, but that it was accidental.

But Hagler said it was accidental. He was moving down for a body punch and his head collided with Antufermo's.

Those things happen.

Asked if he planned to continue fighting, Antufermo, who has lost twice to former champion Alan Minter and has seriously considered retiring, said: "I'll have to think about it. I don't know. I'm going to talk to my doctor."

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Language

Psychedelic Shrift

By William Safire

NEW YORK — A delicatessen in my neighborhood calls itself the "Psyche Delly"; such parody is proof that the word "psychedelic" has earned its place in dictionaries. In his book "Predicting the Past," Dr. Humphrey Osmond, a British-born scientist now working at Bryce Hospital, Tuscaloosa, Ala., recounts his creation of the word in the spring of 1956.

In a paper for the New York Academy of Medicine on mescaline and LSD, he first thought of "psychometric," "psycho-togen" and "deleriant," but they suggested mimicry of psychoses, and that was not precisely what he had in mind.

He sent a draft of the paper to his friend Aldous Huxley, the author and psychic experimenter, and asked for a suitable word. "By return post came a beautiful word," recalls Dr. Osmond, "pharmacotherapy." Its roots are pharmacoin, a Greek word meaning "to reveal," and *thumos*, "the soul." Huxley included a little rhyme:

To make this mundane world sublime
Take half a gram of pharmacotherapy.

The suggested word did not transport Osmond. "I had at hand a little Latin dictionary for medical use that had some Greek words in it. It seemed to me that 'psyche' should be part of the word. The 'thumos' may not be revealed, but the psyche is certainly altered. I wanted a neutral word that would suggest transcendence in some splendid way. I found 'delis' — 'to reveal.' I put the pair together and came up with 'psychedelic.'"

He then wrote back to Huxley with his concoction and included an answering rhyme:

To fall in Hell or soar angelic
You'll need a pinch of psychedelic.

A year after Osmond coined the word, Huxley used it: a decade later, as the bad trips on LSD became widely known, Huxley was assumed to be the originator.

Is Osmond's counterpoint true?

Sol Steinmetz, one of the authors of The Second Barnhart Dictionary of New English, is inclined to believe him. First, he finds a Huxley coinage unlikely: "Words compounded from 'psyche' normally appear as 'psycho-' as in 'psychoanalysis,' 'psychopathic,' etc. It seems very unlikely that a linguistic sophisticate like Aldous Huxley would have coined a word as deviant in form as 'psychedelic'; he would have instinctively opted for the traditional 'psycho-' form."

"On the other hand," ruminates the lexicographer, "there is an unflattering reason for taking Osmond at his word. Osmond is much less of a stickler about his forms: In his own story of the coinage he refers to 'delis' as a Greek verb meaning 'to reveal,' whereas the actual form of the verb is 'delum,' unless what he meant was the adjective 'delos,' meaning 'visible' or 'manifest.'"

* * *

When a colleague of mine wrote that Ronald Reagan had "made the necessary bows to those of differing views particularly to minorities who fear short shrift from his administration," Jim Perry of the University of Pennsylvania wanted to know: "Do minorities who fear 'short shrift' fear being shafted by the new administration? What is the derivation of this 'short shrift' anyway?"

"To shrive" (skin to the verb "to inscribe" / to write) is a religious term meaning "to listen to confession, to impose penance, to give absolution." Anthony Burgess uses it in that sense in his recent novel "Earthly Powers": "I joined the seated bourgeoisie ... awaiting shrift from Father H. Chubner."

I was to go south unshaven. In medieval times, a criminal was given a brief period of time to make his confession before execution. The shrift was short, and was so recorded by Shakespeare in "Richard III": "Make a short shrift, he longs to see your head."

In "Quentin Durward," Sir Walter Scott kept to the gallows image:

"They are like to meet short shrift and a tight cord." In the 19th century, the secondary meaning of "brief respite" gave way to "make quick work of" as it used today.

"Shrift," as used by Perry in his query, was taboo as a verb until a generation ago, when Richard Nixon used it in his "last press conference."

Is Osmond's counterpoint true?

New York Times Service

Guards: The Discreet Charm of Arms and the Woman

By Georgia Dulcea

New York Times Service

NEW YORK — A wealthy East Coast businessman arrives at Kennedy International Airport, where he is warmly greeted by a fashionable young woman. Linking arms, the pair disappear into a waiting limousine that carries them to the Regency Hotel. What is the woman's relationship to the businessman? 1) wife; 2) girlfriend; 3) secretary; 4) bodyguard.

This is a typical assignment for a female bodyguard at the Holmes Detective Bureau, according to Steve Tavin, its director of operations. Of the 30 armed guards working there, 10 are women who are paid to protect a variety of security-conscious clients — business executives, show business celebrities and foreign visitors and their families.

The typical female guard at Holmes is a matronly New York City police officer in her 30s. She packs a .38-caliber revolver strapped either to her chest, ankle or hip, depending on what she is wearing. What she is wearing in turn depends on where she is going — a tailored suit for a stockholders' meeting, jeans for a jog in the park, a lame dress for the disco.

"Physically, a female bodyguard is not as much of a deterrent," Tavin concedes, "but she may be a better observer or she may be better with a firearm. Besides, some clients would rather not be seen with a big bouncer type of bodyguard."

The Machine Gun

The bouncer type of bodyguard is much in evidence. Alarmed by assassinations, kidnappings, murders and muggings, a number of notables have taken to arriving at dinner parties with bodyguards, sometimes to the dismay of hostesses such as Jacqueline Lachman. "What really bothers me are the machine guns," says the widow of Charles Lachman, a founder of Revlon.

Mostly, the guards are male. But judging by a check of a dozen protection agencies in Manhattan, calls for female guards are increasing. Some callers prefer women because of the nature

of the job — escorting the children of the rich to and from school, for example. Others feel that women blend in more easily in social settings.

Before the age of affirmative action, a protection agency would have been hard-pressed to come up with a qualified female bodyguard. Now the agencies have a pool of highly trained women with police and military experience on which to draw.

21 Women in Secret Service

The federal government led the way 10 years ago when a pioneering group of five women became Secret Service agents. Today, 21 of the 1,535 Secret Service agents are women, including one who recently escorted former President Richard M. Nixon to funeral services for John A. Roosevelt.

Female Secret Service agents, like males, tend to wear raincoats, business suits, dark glasses and stoic expressions, and carry tiny radios. Trained in the use of several kinds of weapons, they carry a .357-Magnum revolver.

"A woman who is used to carrying a whole array of cosmetics in her pocketbook doesn't even notice it after a while," says Louise Davis, a former Washington police officer and one of the first women to join the Secret Service.

Special Agent Davis, 33, now a public information officer, was once assigned to cover Vice President Spiro T. Agnew. An agent's sex has nothing to do with his or her tour of duty, she says. "Just because it's a female agent does not mean she is going to be assigned to cover the first lady."

The same is true in the world of private bodyguards. The John C. Mandel Security Bureau once sent a karate-trained female to protect a former Olympic male wrestling champion rendered temporarily defenseless by a racing car accident. Other protection agencies routinely use male-female escort teams. "Occasionally, a male client will complain that he doesn't want a female on the job," says William Rowland of Metropolitan International Investigative and Security Services.

On the other hand, female clients often prefer female guards, according to several female



guards interviewed. (The women, New York City police officers, refused to be identified because, they said, they did not want the subjects of past arrests to know where to find them. They also expressed concern about publicizing the fact that police officers moonlight.)

One guard said that there were places women go where a man could not or would not fit in — dressing rooms, beauty salons, restaurants. Describing her job as part protection, part deception, she said that she often tried to pass herself off as the wife, girlfriend, secretary — anything but what she is. She said she might walk with her arm through a man's, or she might, to throw people off, give him a moonlight look in a restaurant. But he would be made aware beforehand that this was part of the act.

"We want her to be street smart," he said. "You can sit in a classroom and be told what a bad guy looks like, but until you're in the street for a period of time, you don't really know."

Not that Rouse and others in the business place no value on education. "We look for at least a high school diploma, college better yet. We want to leave a good impression with the client, so we like someone with a little class, someone who can talk a decent conversation. If you're eating in a fancy restaurant and the guy says 'Geeze, the market went down,' or the lady says, 'Hemlines on dresses are going up,' you can't just sit there and say, 'Anybody goes for your jewels, I'll punch 'em in the nose.'"

Although some female guards said they had pulled their guns while protecting a charge, none had fired them. A typical comment was, "If force is required, I may use the martial arts. If I see a weapon coming out, I pull my

gun and yell, 'Freeze!' That always shocks them."

Her ability to shock is a woman's secret weapon, it seems.

Qualifications

What does the Holmes agency look for in a woman? Rouse's idea of a perfect bodyguard is someone who is both a trained observer and a skilled marksman. She is also assertive enough to prevent her subject from moving into potentially dangerous situations, yet discreet enough not to call attention to herself.

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PEOPLE: Pope Listens by Radio To Bernstein at Vatican

Pope John Paul II, still recovering from a May 13 attempt on his life, listened by a hook-up with Vatican Radio as Leonard Bernstein conducted a benefit concert in hommage to the pontiff in the Vatican's modern Pope Paul VI Hall, Vatican sources said. Bernstein led the symphony and chorus of the National Academy of Santa Cecilia in the European premiere of his recent nocturne for flute and orchestra, three meditations from his "Mass," and his Symphony No. 3. The proceeds of the concert, which was called "Homage to the Conquering Pope," will go to Rome's Bambino Gesu children's hospital. Pope Paul VI Hall, which seats 8,000 people, was only two-thirds sold out.

Sporting a bright tarr-o'-sham, White House Press Secretary James S. Brady appeared at his hospital window to cheer a well-wisher and give a thumbs-up signal when he saw a flag "Get well Jim" sign. Brady stood at the fifth-floor window for about five minutes, with the assistance of his surgeon and physical therapist. He was his first public appearance since he was shot in the head in the March 30 attack on President Reagan. "He was in terrific spirits," said Dennis O'Leary, spokesman for George Washington Hospital. Referring to Brady's case, O'Leary said the press secretary "wanted to be properly dressed for the occasion." He said that Brady continues to make progress and appears to have conquered the pneumonia that was the most recent complication in his recovery but that Brady's doctors do not know precisely when he will be able to go home.

Mother Teresa of India will dedicate a mission in Miami on Monday for prostitutes and homeless women. The mission, run by four nuns, will house up to 20 women. Mother Teresa promises during a visit to Miami in 1974 to establish the Sisters of the Missionaries of Charity mission, but the project was blocked by a tape until recently. It will be the order's fourth mission in the United States. The others are in New York, Detroit and Washington. The order runs more than 40 schools, hospitals and mission

hospitals in 12 countries.

Emily Harris has won a prize for writing about her adventures as fugitive with Patrick Hearst. Mr. Harris and his husband, William, were convicted of kidnapping armed robbery and car theft after their California spree with Hearst. The award comes from PEN, the international writers' association which hands out annual awards to inmates of U.S. prisons. Miss Harris' "On the Open Road" is calling how she and her husband were caught by the FBI in San Francisco after their travels with Hearst, won third prize in the nonfiction category.

The Chinese Mountaineering Association reports that five West German climbers and three Americans have scaled the 20,610-foot (6,252-meter) Mount Aneyuan in China's northwest Qinghai

Province and that 11 Japanese climbers have become the first to scale Mount Bogda in the Xinjiang Uygur autonomous region. The association said a 30-year-old woman, a member of the Japanese team, was killed when she fell into a crevice.

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